



GOVERNMENT OF THE REPUBLIC OF TRINIDAD AND TOBAGO

Budget Statement 2019

“TURNAROUND”

Presented by

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Contents

Introduction	1
Global Economy	4
Fostering Economic Stability	5
Economic Growth	5
Public Finances	5
Public Sector Debt	6
Balance of Payments	6
National Investment Fund A	7
Medium-Term Outlook	9
Global Ratings	11
Building Institutions	12
Gambling (Gaming and Betting)	12
Procurement	13
Tax Administration	13
Trinidad and Tobago Revenue Authority	14
Property Tax	14
Economic Resilience	15
Highways	15
Toco Port	15
La Brea Dry-Docking Facility	15
Moruga Fishing Port	16
Maracas Beach Facilities	16
San Fernando Waterfront	16
Skinner Park Redevelopment	16
Pedestrian Safety and Traffic Management	17
Coastal Protection	17
Hospitals	17
Police Stations	18
Economic Activity	19
EXIM Bank Facility	19
Agriculture Financial Support Programme	19
Housing Construction Incentive Programme	19
Manufacturing	19



Maritime Sector	20
Yachting Sector	20
Creative Industries	20
Industrial Estates	20
Agriculture	21
Tourism	21
Sandals Tobago	21
Magdalena Grand Beach and Golf Resort	22
International Airport: Tobago	22
Air and Sea Bridge	22
Energy	23
Renewable Energy	24
PETROTRIN	26
Building Human Capital	29
Education	29
Housing	29
Health and Healthcare	30
Social Agenda	31
Sports	32
Fostering Safety and Security	33
Tobago Relations	35
Estimates of Revenue and Expenditure: 2018/2019	37
Fiscal Measures	38
• Fuel Subsidy	38
• Public Service Pension	39
• Reward and Allocation for Crime Stoppers	39
• 24/7 Opening Hours for Remote Health Centres	40
• Penalties under Children’s Act	40
• Stamp duty threshold amendment	40
• Penalties under the Litter Act	40
• Penalties for Bush/ Forest Fires	40
• Compliance with the Board of Inland Revenue	41
• Enhancing Revenue Collection	41
• Increase in Value of Food Card	41
• Disability grant	41
• Public Assistance Grant	42
• Cap on Senior Citizens’ Pensions	42
• Tax Allowance for Tertiary Education	42
• Manufacturing sector: foreign exchange earnings tax credit	42
Conclusion	43

2019 Budget Statement 2019



INTRODUCTION

Madam Speaker, it is my honour and privilege to present the Budget for the Financial Year 2018-2019, the fourth Budget of the present Government.

When this PNM Administration, under the leadership of our Prime Minister, Dr. the Honourable Keith Rowley, assumed Office in **September 2015** - just **three (3)** years ago - we promised the citizens of Trinidad and Tobago a transparent, honest and accountable Government.

This was necessary for establishing credibility and trust in the new Government after 5 years of mismanagement and overindulgence by the previous Administration. We faced very difficult and challenging circumstances. Our public finances had been eroded by the collapse of oil and gas prices in 2014, coupled with declining oil and gas production. Further, **\$6.0 billion** left in credit to the Government's bank account at the Central Bank just prior to the May 2010 election, had been consumed by reckless spending and our overdraft maxed out, resulting in depletion of the Government's available cash advances by **\$15.0 billion**.

A further **\$14.0 billion** had been siphoned out of the National Gas Company's bank account and used to award questionable construction and equipment supply contracts at inflated prices.

Yet in the face of a clearly imminent financial crisis, where revenues from petroleum plunged by **\$10.0 billion** between 2014 and 2015 and continued to spiral downwards as the 2015 Election approached, with oil prices collapsing from **US\$103** per barrel in June 2014 to as low as **US\$43** per barrel in March 2015 - the general election year, annual budgetary expenditure under the previous Administration reached an unsustainable all-time high of **\$63.0 billion**, an increase of **37.0 percent** over the 2010 level. In addition, we faced the almost impossible task of paying out **\$5.0 billion** in back pay, an election gift from the previous Government. Yet we persevered, Madam Speaker, and in so doing, as a strategy, we preserved as many jobs as possible, to the extent that despite our huge financial challenges,

the number of employed persons has only decreased marginally over the last **3** years.

By 2015, real economic activity had become volatile and weak. The new PNM Government had to move immediately to stabilize the economy, stop the downward spiral and create sustainable growth and true national development. In pursuing these objectives, we sought to ensure that the collective public good and the national interest was paramount in our policy implementation process.

Madam Speaker, the journey since then has been as difficult as it has been rewarding. Despite the drastic decline in Government revenue, we have managed to keep the country afloat, by taking decisive and sensible action without crashing the economy and without engaging in a massive devaluation of the Trinidad and Tobago dollar. I dare say, the people of Trinidad and Tobago understand and appreciate our approach to pulling the country out of the deep dark hole in which our predecessors left us. We were in a virtual financial abyss.

In a calm and collected manner, we are continuing to repair the damage to our fiscal accounts through a mix of revenue-raising measures and targeted and efficient cuts in transfers and subsidies and goods and services. We have reversed the decline in the economy and in so doing, we have ensured that the welfare and the standard of living of our citizens are not unduly impaired. Our reforms at modernizing the budget process, making tax administration more efficient, strengthening accountability for public expenditure and re-establishing medium-term fiscal planning have succeeded in containing expenditures at sustainable levels.

This growth-inducing environment is facilitating the achievement of macro-economic stability and confidence in the local economy - a key condition for ensuring that the recovery takes hold in the non-energy sector.

2019 Budget Statement 2019

What is truly remarkable, however, is the fact that the country is now functioning with an annual budget of approximately **\$50.0 billion**, **\$13.0 billion** less than the amount spent by our predecessors in 2014.

By way of example, we now have over **95,000** senior citizens in receipt of a pension of **\$3,500** per month, which is almost **9,000** more than the number of pensioners in the system when we assumed office in September 2015. In our first year, we also increased the cap for persons in receipt of both the National Insurance System pension and the Senior Citizens' Pension, from **\$4,500** to **\$5,000** per month. In fact, while reducing expenditure from **\$63.0 billion** to **\$50.0 billion** we have actually increased the annual expenditure by **\$700.0 million** on senior citizens' pensions in the last **3** years. This is but one example of how we have managed to preserve and improve social benefits and cushion the effects of the recession while stabilizing the economy and cutting out waste and unnecessary expenditure.

But we must ask the question - where did that extra **\$13.0 billion** a year go? What did our predecessors do with it? What did they spend it on? Clearly a lot of those billions in over-expenditure were wasted or misappropriated or simply given away.

I am pleased to say that our vision for this country, as articulated in our 2015 Manifesto, is being realized. In fact, with higher energy production together with moderately higher energy prices and sound and stable macro-economic conditions, the economy has returned to positive growth in 2018 and is projected to remain so over the medium-term.

Madam Speaker, it is with great pleasure that I can announce that after several years of economic stagnation, ***the Trinidad and Tobago economy is projected to grow in real terms by 1.9 percent in 2018.*** It is against this background that the theme for this 2019 Budget reflects the unfolding economic situation - a genuine economic **Turnaround!**

I wish to take this opportunity now to commend the business and labour organizations as well as those economists and public policy experts who willingly provided advice and well-thought-out recommendations for establishing a regime of sustainable socio-economic conditions. Many of their proposals have found their way into our plans and programmes. Moreover, my Cabinet colleagues have indeed been extremely supportive during our consultative sessions and I thank them.

Very importantly the public officials at the various Ministries and Departments have worked beyond the call of duty. I wish to express my appreciation to them all. I cannot overemphasize the value of the work done by the public officials at the Ministry of Finance. We all owe them a huge debt of gratitude. They have become well-recognized for the technical rigour of their work, their dedication, and for the promptness with which they prepare and circulate the several documents which inform the Parliamentary Debate on the Budget. To that end, I have laid in Parliament today **eleven (11)** supporting documents.

Madam Speaker, our transformation is now being anchored on the ***National Development Strategy*** as outlined in our **Vision 2030** document, laid today. Which was developed by my colleague, the Minister of Planning and Development. This vision built on the vast consultation process which informed the preparation of the original **Vision 2020**, which was initiated in 2002 by no less a person than the current Prime Minister, as the then Minister of Planning and Development. I wish to remind Honourable Members that the consultative process at that time involved over **eighty (80)** national consultations and contributions of **twenty-seven (27)** sub-committees, comprising academia, the public and private sectors and civil society. In keeping with the times, we have modified **Vision 2020**, creating in the process **Vision 2030**.

Vision 2030 represents a compelling response to the extraordinary challenges now facing this country. It is now informing public economic policy in **nine (9)** areas and we are actively pursuing policy reforms for:

- i. expanding exports and increasing foreign exchange earnings and employment;
- ii. solving and preventing crime;
- iii. reversing non-progressive values, attitudes and behaviours such as low productivity and poor work ethos;
- iv. undertaking constitutional and institutional reform;
- v. addressing the impact of shale gas, alternative energy sources and lower gas reserves and production;
- vi. discouraging the culture of dependency and sense of entitlement among the population;
- vii. ensuring effective and efficient public service delivery and implementation of development interventions and measurement of results;
- viii. transforming the existing growth model into one which is environmentally friendly while addressing



climate change, including reducing greenhouse gas emissions and building resilience to its adverse impacts; and

- ix. protecting and sustainably using our environmental resources.

These challenges are comprehensive in scope and they cut across most areas of national policy. We are in no doubt that our current efforts to implement Vision 2030 are transforming our culture, values and attitudes and macro-economic policy-making.

We are laying the framework to a new era of prosperity. Further, recent strategic confidence-inducing developments will make our transformation an assured reality. By way of example, I refer to **six (6) major game-changers**:

1. *strengthening our gas-based economy*: on **August 18th, 2018**, the Prime Minister, Dr the Honourable Keith Rowley, executed a *Terms of Agreement* with the Government of Venezuela to secure a competitively-priced steady supply of natural gas from the Dragon Field in Venezuela. The project will commence with **150.0 million** standard cubic feet per day with the possibility of that level rising to **300 million** standard cubic feet per day. Importantly, this supply of gas will return our petrochemical centre to full production and in the process make the sector a much more attractive source of investment;
2. *buoyancy of the capital market*: on **August 9, 2018**, we witnessed the resounding success of the National Investment Fund **\$4.0 billion** asset-backed bond, the proceeds of which have contributed to our revenue stream and did not increase our national debt. The incredible response of the national community with an oversubscription of **82.0 percent** which included **7,436** individuals represented a *declaration of trust and confidence* in our current policy-making and in the future of this country;
3. *The Petroleum Company of Trinidad and Tobago (PETROTRIN) – Road to Sustainability*. On **August 28, 2018**, the Road to Sustainability we began the process of reforming the Petroleum Company of Trinidad and Tobago and ensuring that the company will curtail its losses and be put on a path of sustainable profitability, including becoming once more a contributor to national revenue in the not too distant future, through the payment of royalties and taxes. PETROTRIN is exiting the unprofitable refining

business and becoming a terminalling business as an importer of motor gasoline, diesel, aviation fuel, liquefied petroleum gas and other petroleum-based products for the domestic and CARICOM markets.

PETROTRIN is also now concentrating on exploration and production activities and in the process, will boost its current production level of 40,000 barrels per day, the foreign exchange earnings of which would redound to the benefit of the citizens of this country. We are taking steps to ensure that the workers are appropriately-compensated with due regard to their welfare and that of their families;

4. The 4th Game Changer, Madam Speaker, *the Sandals Golden Grove Tobago Project - A catalytic tourism event*: the decision to establish a Sandals and Beaches Resort in Tobago with 500-750 high-quality rooms represents a radical stimulus for the tourism sector in Tobago which would now provide a platform for sustainable economic and social development and place Tobago at the centre of a very competitive tourism market. In tandem, with a new airport terminal, increased airlift will allow Tobago convenient access to all points of the major market sources. Employment opportunities and the provision of local content will have a multiplier effect on the economy of Tobago.
5. The 5th Game Changer, *a New Dry Dock and Ship Building/ Ship Repair Facility* - revitalization of the south-west peninsula is being driven by foreign direct investment from China Harbour Engineering Company Limited and funding from Chinese banks. Two (2) major businesses will be established in La Brea, namely a dry dock with a ship-building and ship repair facility and a transshipment port. This project is expected to generate **2,700** direct jobs and **13,000** indirect jobs thereby re-energising and modernizing the formerly oil-based communities of the south-west peninsula.
6. The 6th Game Changer, *Two New State-of-the-Art Fast Ferries* – revitalisation of the Trinidad and Tobago Sea bridge, with a return to reliability and the highest quality, is firmly and securely on its way with orders placed for two brand new modern fast ferries, from Austal and Incat, for delivery in mid-2020. Both ferries will carry over 900 passengers and 250 cars at speeds in excess of 35 knots, making the journey to Tobago in less than 3 hours.

GLOBAL ECONOMY

Madam Speaker, I wish to briefly turn my attention to the developments in the global economy as they impact Trinidad and Tobago. Indeed, we are encouraged with the strengthening of the global economic recovery as well as with the outlook for the next two years. Global growth is projected to reach **3.8 percent** in **2018** and **3.9 percent** in **2019**. As the global upswing has taken root, oil prices have been rising and improving the growth outlook of commodity producers, including Trinidad and Tobago.

Largely reflecting supply shortfalls, global oil prices kept advancing upwards this year, despite the decision of the Organization of Petroleum Exporting Countries (OPEC) and non-OPEC oil producers to raise oil production by about **1.0 million** barrels per day from the current levels, thereby correcting the undershooting of the **November 2016** Group oil production target. Oil prices are now projected by

reputable international institutions to remain stable in the short-term and to average **US\$68** per barrel in **2018** and **2019**.

Indeed, the United States Energy Information Administration, or EIA, which is the statistical and analytical agency within the U.S. Department of Energy, has estimated in its short-term energy outlook that West Texas Intermediate (WTI) oil will average **US\$67.36** per barrel in 2019. Similarly, the World Bank is now forecasting a WTI oil price of **US\$67.40** in 2019.

Added to this, we also recognize that declining capacity in Venezuela and US sanctions on Iran may pose difficulties for the OPEC group to deliver the agreed-upon production increases on a consistent basis, thereby leading to further increases in oil prices over the medium-term.



FOSTERING ECONOMIC STABILITY

Madam Speaker, we are now witnessing a welcome upturn as the economy enters a growth and development phase. This is being facilitated by global growth, the recent recovery in world oil markets, and by increased natural gas production in Trinidad and Tobago. However, we are not out of the woods yet, and our economy is still vulnerable to external shocks. For example, recent protectionist sentiments and import restrictions imposed by major trading nations represent a significant challenge to global growth prospects.

Economic Growth

Our return to growth, driven initially by energy sector developments, is being reinforced in the non-energy sector through the spill-over effects from the energy sector and from significantly-improved macro-economic conditions.

We have taken decisive action to achieve these conditions, including adopting a mix of expenditure containment and revenue-raising measures. We are ensuring that the non-energy sector is able to grow and as far as possible to ensure the recovery becomes broad-based and secures enduring gains in the living standards of our citizens. Through careful management of the exchange rate and other strategies, we have contained inflation to historically low levels. Indeed, the inflation rate in Trinidad and Tobago was recorded at **1.0 percent** in **August of 2018**. However, it should be noted that the inflation rate in this country has averaged **7.2 percent** over the last **50** years, with a high of **24.5 percent** in **1974**. Our current inflation rate is among the lowest in the world and significantly lower than the 2018 average of **4.5 percent** for all Caribbean countries.

I am also pleased to report that growth has resumed in the energy sector, with a **2.2 percent** growth rate in **2018**, as a range of projects have materialized and boosted gas production levels from an average of **3.37 billion** standard cubic feet per day in **2017** to an

average of **3.80 billion** standard cubic feet per day in **2018**.

Madam Speaker, our approach to the requirements of adjustment in the context of the new realities and circumstances facing us is particularly significant. Adjusting a structurally-unsound economy represents a substantial challenge. We approached the policy choice utilizing an appropriately-sequenced suite of tax and expenditure measures to ensure that our labour-intensive non-energy sector was broadly protected. As a result, Madam Speaker believe it or not, the manufacturing sub-sector grew by an astonishing **7.3 percent** in **2018** contributing to a significant increase in non-oil revenue from **\$32.9 billion** in **2017** to **\$35.2 billion** in **2018**.

The unemployment rate is now in the vicinity of **5.0 percent**, not substantially different to those rates which existed in the **2011-2015** period, when conditions were much more buoyant and resilient.

Public Finances

Madam Speaker, since our assumption of Office in **September 2015**, we have been adjusting the economy to cater for lower oil and gas prices, lower production volumes and reduced revenue from the decline in national incomes. Members of this Honourable House will recall the unsustainable levels of expenditure which prevailed in the **five (5)** year period **2011-2015** peaking at **\$62.8 billion** in **2014**. At the same time, while expenditure increased exponentially, revenue only averaged **\$53.0 billion** with a low of **\$52.8 billion** in **2013**. In simple terms, the previous Administration spent up to **\$10.0 billion** per year more than it earned. Financing this **\$10.0 billion** mismatch inevitably increased our debt burden. Immediately upon assumption of Office, we were faced with a reduced revenue flow of **\$44.9 billion**, creating a **\$20.0 billion** gap between revenue and expenditure, with the **three (3)** year revenue average for **2016 - 2018** being just **\$41.3 billion**.

2019 Budget Statement 2019

It should be noted that this average revenue figure of **\$41.3 billion** is inclusive of significant revenue raising measures and substantial inflows of capital revenue, or non-core revenue, as we call it. An example of the non-core revenue measures we have had to rely upon is the recent **\$4.0 billion** injection of funds from the National Investment Fund (NIF) Bond Issue. This has been accounted for in our books as “*profits from state enterprises*”, since we created a new state enterprise, the NIF Holding Company, to hold assets, recovered from the Clico Group of Companies, including Republic Bank and Angostura shares.

Through prudence and careful financial management, we have been able through a well-targeted expenditure-screening and re-prioritization process, including an initial rationalization of transfers and subsidies, to bring expenditure to a realistic level, reaching a projected **\$49.0 billion** in 2018, **22 percent** below the peak level of expenditure generated in 2014 by the profligate Administration which preceded us. The new expenditure base of approximately **\$50.0 billion**, as opposed to **\$60.0 plus billion** of the past, is being achieved in line with the actual revenue potential of the country, which is being addressed through our fiscal consolidation programme.

This programme is achieving the objective of consolidating expenditure without unnecessary disruptions in the unemployment rate.

It was in the context of the overarching domestic economic and global conditions that we formulated the previous **2018 Budget**, predicated on price assumptions of oil at **US\$52** per barrel and gas at **US\$2.75** per MMBtu. We established an expenditure profile of **\$50.5 billion**, including a capital expenditure programme of **\$5.1 billion**. During the course of the 2018 fiscal year, we have continued the process of fiscal consolidation reducing the expenditure level to **\$48.9 billion**. Through various revenue-raising measures, we have been able to achieve revenue of **\$42.7 billion** in 2018 with a fiscal deficit of **\$6.2 billion** or **3.9 percent** of GDP, well within established norms for sustainability and moving the economy into long-term fiscal health.

Public Sector Debt

Madam Speaker, this approach to adjustment has kept our net public sector debt - now at **60.9 percent** of

GDP, including external public debt at **17 percent** of GDP- at a sustainable level and within internationally-acceptable benchmarks. Importantly, our liquid assets, held as external reserves in an amount of **US\$7.7 billion**, and in the Heritage and Stabilization Fund (HSF) in an amount of **US\$6.0 billion** as at September 25 2018 more than cover the external debt of **US\$3.7 billion** of the Central Government.

Balance of Payments

Our external accounts are improving under the influence of our fiscal consolidation efforts and rising gas production and oil prices. The external current account is strengthening primarily due to an uptick in energy exports and the net outflow on the financial account has now turned into a net inflow. In **2018**, our liquid external assets remain healthy with gross official reserves covering over 8 months of imports of goods and services, with the Heritage and Stabilization Fund close to **US\$6.0 billion** and over **US\$400 million** in external reserves in commercial banking institutions.

Further, the decline in external reserves, an inevitable outcome of our deliberate strategy of protecting our exchange rate, is slowing down. We are now finding that the Central Bank's bi-monthly foreign exchange intervention is becoming increasingly effective with reduced delays for import needs and for the settlement of bills for inputs into the private sector production processes. Availability of foreign exchange is improving and with a stable exchange rate, appropriate incentives are being provided for our producers to consolidate the emerging growth in the non-energy sector.

May I mention at this stage, that several analysts warned us in 2015 that if we did not immediately devalue the dollar to TTT10.00 to \$US1.00, our foreign reserves would have evaporated within a year!

However, this calamity did not materialize. We have kept the TT dollar at an appropriate rate, and carefully managed the supply of foreign exchange, to the extent that we still have over 8 months of import cover. Compare this to nearby Barbados, which has less than 2 months of import cover!



National Investment Fund

Madam Speaker, I wish to take this opportunity to express the appreciation of this Government to all those who contributed to the success of the unique public offering of the **\$4.0 billion** asset-backed National Investment Fund (NIF) bond.

It was the first of its kind in Trinidad and Tobago and the highest amount of resources ever mobilized through a public offering.

Its success has been no doubt due to the technical skills and competence of the public and private sector officials, including consultants, who worked tirelessly and selflessly to conceptualize the form and shape of the instrument so as to secure the widest possible participation in the bond offering. This was effected through the issuance of an investor-friendly prospectus supported by a well-targeted marketing and advertising campaign.

It was no surprise to us that the regional rating agency, *the Caribbean Information and Credit Ratings Services Limited (CariCRIS)*, assigned a good investment grade rating to the National Investment Fund bond, thereby improving its attractiveness. Within this framework, the public response to this new instrument- the largest single domestic bond offer in the history of our capital market- was as compelling as it was resounding.

Madam Speaker, our citizens understood the attributes of the asset-backed corporate bond issued by the National Investment Fund Holding Company Limited. The **\$4.0 billion** bond was backed by the assets of blue-chip companies with a record of sound financial performance. In the view of the public, and in truth and in fact, this bond did not in any way resemble the puerile description made by the Leader of the Opposition of the National Investment Fund Bond Offer as a *Ponzi Scheme*. Knowledgeable Members of this Honourable House will be aware that a Ponzi Scheme is a form of fraud which lures investors based on imaginary assets and fictitious returns. The National Investment Fund was the complete opposite of that, which is why so many of our citizens, including many persons who would normally support the other side, ignored the empty theatrics of the Opposition Leader and invested heavily in the National Investment Fund. On **September 4, 2018** the asset backed National Investment Fund bonds began to trade on the Trinidad

and Tobago Stock Exchange. I wish to point out that the incorporation of the National Investment Fund Holding Company Limited (NIF) and the issue of the NIF bonds enabled the Government to monetize certain assets previously held by Colonial Life Insurance Company (Trinidad) Limited (CLICO) and Clico Investment Bank Limited (CIB in liquidation).

This became possible due to the repayment of the debt owed to the Government of the Republic of Trinidad and Tobago by Clico and CIB in liquidation arising out of the bailout of Clico in **2009**. Additionally, Government transferred to the National Investment Fund the total shareholding of Trinidad Generation Unlimited (TGU) which was held by the Union Estate Electricity Generation Company Limited (UEEGL) - a fully-owned state enterprise.

The **\$4.0 billion** generated through the monetization of those assets has assisted in the non-debt funding of the fiscal accounts in 2018; but a more important public policy objective was achieved.

We witnessed the participation of a wide cross-section of the citizens of Trinidad and Tobago in the public offering. It was only right that our citizens benefit from the monetization of the debt repayment, bearing in mind, that public resources were utilized for the Clico bailout. These **7,436** investors, including the **667** corporate and institutional investors, are now benefitting from the stream of income flowing from investment in these bonds consistent with their varying investment requirements, whether for **five (5)** years, **twelve (12)** years or **twenty (20)** years. In this process, with an additional **3,500** investors being added to the existing pool of stock broking accounts, the capital market is being deepened and widened as a source for capital-raising public and private activities.

Madam Speaker, in each year during the tenor of the National Investment Fund bonds, investors would be paid fixed interest rates. After that payment, the excess cash earned by the NIF, net of operating expenses, will be transferred to a *Redemption Reserve Fund* for the purpose of redeeming the bonds at their respective maturities.

I wish to emphasize that under the terms of the Trust Deed establishing the National Investment Fund, access to the Redemption Reserve Fund **is limited only to the Trustee** and only the Trustee will have responsibility for meeting the bond redemption

payments. There is no role for Government with respect to the management of the Redemption Reserve Fund.

Madam Speaker, I wish to point out that at the end of the tenor of all bonds, that is, in **twenty (20)** years and with full redemption, the portfolio of assets will remain in the National Investment Fund. Government as the **100.0 percent** shareholder of National Investment Fund will have full control of the assets in the Fund and will be able to take whatever public policy decision it might wish relative to the portfolio. ***In other words, after all of the bonds are redeemed, all the NIF assets will still belong to the people of Trinidad and Tobago.***

In summary, despite the negativity of the cynics, of which we as a country have quite a few, the NIF was a resounding success and exceeded its targets way beyond expectations!

Madam Speaker let me inform this Honourable House that on **February 9, 2019** thousands of our citizens will be receiving their first NIF interest payments.

In this context, I wish to announce to the national community that there will be another National Investment Fund bond offered in **2019**, similar to the **2018** offering.



MEDIUM-TERM OUTLOOK

Our fiscal and external balances are stabilizing consequent on the rise of energy prices in 2017 as well as our own ongoing fiscal consolidation efforts. However, we are ever mindful of the impact of the volatility in energy prices with the level and direction of change difficult to predict. We are now improving our capability to strengthen our current fiscal planning framework consistent with the **Vision 2030** objective of making a more comprehensive framework for policy making.

To this end, the medium-term macro-economic and fiscal scenarios now prepared by the Ministry of Finance will initially inform the design of the upcoming *Macroeconomic and Fiscal Framework* which would become an integral part of our fiscal management system in the future. This type of careful fiscal planning was completely absent in the Government that preceded us.

Madam Speaker, the new fiscal strategy will strengthen multi-year fiscal discipline and allow the Government to consider both the short- and medium-term impact of policies. The setting of medium-term fiscal objectives will make expenditure and revenue much more predictable and sustainable. Importantly, it will provide early warning signals about fiscal sustainability and looming fiscal risks *to ensure that timely policy action is taken, when required*. Technical collaboration with the International Monetary Fund is now underway with respect to the formulation of the *Macroeconomic and Fiscal Framework*, including an approach to improving our macro-fiscal forecasting capability.

In the context of this *emerging framework*, we have determined that because of the macro-fiscal work we have already done, as energy projects come on stream and the non-energy sector picks up, economic prospects are expected to improve over the medium-term: **2018-2021**:

- *the economy is now projected to grow at much better rates: **1.9 percent** in **2018** and reaching **2.1 percent** in **2021**. Increased levels of gas production will materialize in the context of the plans and activities of our gas producers; from **3.37 billion** standard cubic feet per day in **2017** to an average of **4.14 billion** standard cubic feet per day in **2021**. This return to growth is taking place in the context of low and stable inflation rates - an average of **2 percent** in the period **2016 - 2018**, and now down to **1.0 percent**.*
- *recovery is taking hold in the non-energy sector. With a marginal decline in **2018**, we are now projecting that growth in the non-energy sector will reach **2 percent** in **2021**.*
- *the medium-term fiscal adjustment is being stabilized at about **3.3 percent** of GDP by **2021**, in the context of an average revenue to GDP of **28.0 percent** and expenditure of **32.0 percent** of GDP in the period **2018 - 2021**.*
- We are also strengthening our tax administration and through a comprehensive Public Expenditure Review conducted by the World Bank, we are identifying cost savings in education, health and

2019 Budget Statement 2019

social services, among others. This continuing review of current expenditure would generate substantial savings which we will redirect to the most vulnerable segments in our society and to efficient growth and employment-enhancing capital programmes.

- the public sector debt will remain sustainable over the projected period: **2018 - 2021** and within the acceptable international benchmark of between **65.0 percent – 70.0 percent** of GDP; an increasing use of non-debt creating financing options would ensure that the public sector debt remains sustainable;
- the favourable external environment with stronger energy prices is driving projected current account surpluses which as a percentage of GDP are expected to average **7.0 percent** of GDP in the period **2018 -2021**; gross international reserves would remain at a level considered to be robust and healthy by any international standard.

Madam Speaker, through this mix of macro-economic policy interventions, implemented over our planning period, we are shaping the development path over the longer-term to the benefit of all citizens in this country.



GLOBAL RATINGS

Madam Speaker, the **2018** economic assessment of the Trinidad and Tobago economy by S&P Global Ratings, the international ratings agency, was consistent with our own technical appraisal. In fact, the agency envisaged a mild economic recovery over the medium-term, driven by moderately higher energy prices and higher gas production levels.

For this reason, S&P Global Ratings affirmed its **BBB+** rating for Trinidad and Tobago- maintaining its investment grade quality; but revised its outlook to negative from stable citing the importance of maintaining the current economic and financial trajectory. The present positive outlook should motivate Moody's Investors Service to reverse its **2017** assessment of Ba1.

BUILDING INSTITUTIONS

Gambling (Gaming and Betting)

Madam Speaker, the regulatory framework for *Gambling* (Gaming and Betting) is long-overdue. As reported recently to the Parliament, we have made significant progress in the meetings of the Parliamentary Committee appointed to consider the Gambling (Gaming and Betting) Bill 2016. The Bill has been carried over to the new parliamentary session, and with bipartisan support, I expect the legislation emerging from the deliberations of the Joint Select Committee (JSC) to be approved shortly.

Accordingly, with the associated corporate infrastructure in place, the new Gambling Control Commission and best practice regulatory system can be established and up and running in 2019.



PROCUREMENT

Madam Speaker, the Procurement Regulator has been actively building capacity within the *Office of Procurement Regulation*. I am advised that staffing and training is in progress, and barring unforeseen circumstances, the new procurement regime utilizing best practice could be in place in the first quarter of calendar **2019**. I wish to share with this Honourable House some of the provisions of the Public Procurement and Disposal of Public Property Act 2015 in anticipation of its full proclamation. Indeed, the Act applies to all public bodies and public private partnership arrangements receiving public money, so they must become familiar with the provisions of this legislation.

Essentially, any procurement of goods, works, services, retention, or disposal of public property which is not done in accordance with the legislation and any procurement contract or agreement which is also inconsistent with the legislation could be deemed void and illegal by the Regulator.

All public procurement and the disposal of public property must be effected in a manner consistent with the provisions of the legislation. A great deal of emphasis would be placed on the delivery of local content in our new procurement arrangements.

Procurement arrangements within our Ministries, Departments and public bodies will now become known for their integrity, transparency and value for money.

Tax Administration

Madam Speaker, Honourable Members would recall that I shared with them the Tax Administration Diagnostic Assessment Tool (TADAT) Performance Report on Trinidad and Tobago. This specially designed tool - TADAT- has allowed us to gauge the performance of our tax administration with clear guidelines and priorities for reform.

We had long-recognized that our tax system was under-performing as far as domestic revenue mobilization was concerned, although we had made substantial and significant progress in reforming the taxation system for improving domestic revenues. We did so as a country in the **1990s** with the introduction of the value added tax and in the early **2000s** with the lowering of income tax rates and simplification of the income tax system.

Madam Speaker, despite the implementation of those best practice initiatives, our revenue administration continues to suffer from serious problems of governance, extensive non-compliance and weak organizational structures. The TADAT Assessment was informed by **twenty-eight (28)** high-level indicators critical to tax administration performance. The Board of Inland Revenue received the lowest mark in the **4-point** scale for **17**, or **61.0 percent**, of the **28** indicators. The recommendations from this Report are guiding our tax reform and modernization agenda. With technical assistance from the International Monetary Fund, we are expanding training and other capacity building initiatives for the staff of the revenue authorities.

Our aim is to ensure that the revenue base generates the collection of potential revenue as we improve the quality of service to the tax paying community of this country. These activities will be enhanced as the staff transitions to the proposed Trinidad and Tobago Revenue Authority (TTRA) which would provide fast and efficient quality service to taxpayers through simple transparent and up-to-date procedures.

TRINIDAD AND TOBAGO REVENUE AUTHORITY

Madam Speaker, we have made substantial progress in bringing the Trinidad and Tobago Revenue Authority to fruition. This major institutional reform will underpin our efforts to stem the revenue collection leakages now inherent at the levels of the Inland Revenue and the Customs and Excise Divisions. Upon its establishment in **2019**, best practice standards in domestic tax administration would be embraced with greater efficiency in domestic tax mobilization. We would witness the full benefits of this reform in **2020** in the context of the full operationalization of the Trinidad and Tobago Revenue Authority.

Property Tax

Madam Speaker, despite the many legal hurdles pursued by opponents to the property tax, we are making substantial progress in establishing the long-envisioned property tax regime. On **June 8, 2018**, the President assented to **two (2)** pieces of legislation: the *Property Tax (Amendment) Act, 2018* and the *Valuation of Land (Amendment) Act, 2018*. The anomalies which existed with these **two (2)** pieces of legislation have been corrected.

We have been building capacity in the Office of the Commissioner of Valuations with the recruitment and training of field assessors and supervisors and other technical personnel. Recruitment of additional staff is continuing to accelerate the pace of work and assessment of residential properties in the first instance has commenced with field visits to, and inspections made of, approximately **10,000** residential properties so far. The Valuation Division of the Ministry of Finance has been relocated to new premises in Barataria in the same location as our field assessors, thus providing the necessary supervisory oversight and guidance by senior public officers.

Further, accommodation for field assessors at other valuation offices throughout Trinidad and Tobago in Arouca, San Fernando, Point Fortin, Sangre Grande, Chaguanas and Tobago is being finalized.

The current plan is for the Board of Inland Revenue to issue notices to property owners for the payment of property tax in **2019**. Let me assure this Honourable House and the national community that the property tax will not be required to be paid on a retroactive basis. The tax will only be implemented and collected in respect of calendar year **2019**.



ECONOMIC RESILIENCE

Madam Speaker, we are also further strengthening our economic resilience through the provision of modern physical and social infrastructure, such as highways, hospitals, ports, police stations, community centres, fire stations, and so on. I will give some brief details.

Highways

Madam Speaker, our national highway grid is at varying stages of implementation, providing the national community with easier connectivity between urban and rural spaces with potential opportunities for business and residential activity with job-creating opportunities:

the San Fernando - Point Fortin Highway is advancing to completion in 2020 with road accessibility to Debe, Penal, Fyzabad, La Brea, Point Fortin and Siparia. On **June 8, 2018**, one segment of the **29-kilometre** highway - *Dumfries Roundabout to St Mary's Bridge* - was opened to vehicular traffic;

the Valencia - Toco Highway is now moving to construction phase with a hybrid route alignment which would involve the upgrade of segments along the **23-kilometre** existing roadway of Valencia Road and the Toco Main Road and segments of a new road construction comprising **20 kilometres** starting from the new Ojoe Road Roundabout on the Churchill Roosevelt Highway Extension to Manzanilla.

This new alignment will open the Toco area through increased roadway capacity and ensure greater connectivity between Toco and the rest of Trinidad and Tobago;

after overcoming a legal challenge, *the Churchill Roosevelt Highway Extension to Sangre Grande* is being constructed in phases with the Cumuto to Toco Main Road segment as the first phase. Phase 2 involves the Toco Main Road to Manzanilla segment and Phase 3 comprises the Cumuto Road Link to the Churchill Roosevelt Highway segment; and

the Moruga Main Road is being rehabilitated in **three (3)** phases from Petit Café in the north to Marac Village in the south. It would facilitate safe and efficient movement of people, goods and services and serve the major communities in the region: Indian Walk, Fifth Company, St Mary's, Cachipe, Rock River, Basse Terre, Bois Jean, Grand Chemin, La Lune and Marac and would generate employment directly and indirectly during and after the completion of the project and it will provide safety and comfort to road users and pedestrians.

Toco Port

The proposed Ferry Port in Toco is now in the design stage. The new Ferry Port will provide a faster alternative sea route to Tobago from east Trinidad, with a travel time of one hour, one-third of the current transit time from Port of Spain to Tobago. The new port facilities would open up the entire north-east region of Trinidad for new industrial, residential and commercial development with the surrounding communities benefitting from increased economic activity and the generation of good-quality jobs.

La Brea Dry-Docking Facility

The growth and development of the economy is being further facilitated by the recent foreign investment decision by the China Harbour Engineering Company Limited (China Harbour) to establish a maritime business anchored on a dry-docking facility at La Brea in southwest Trinidad. On **September 7, 2018**, the National Infrastructure Development Corporation (NIDCO) and China Harbour executed a Co-operation Agreement for the development over a **three (3) year** period and at a cost of **US\$500.0 million, over TT\$3 billion**, of a range of businesses, including:

- construction of a large container and bulk transfer terminal for a transshipping business; and
- large dry-docking construction and an outfitting

terminal for a ship building, dry-docking and repairing business.

Madam Speaker, significant construction activity will be undertaken to facilitate the establishment of these **two (2)** business units through deep water channel excavation, basin dredging, offshore reclamation and terminal land construction.

Substantial business opportunities will be available to our citizens in the southwest peninsula with more than **3,500** direct and **5,700** indirect jobs being created. During the operational period, the various business units would create **2,700** direct and **13,000** indirect jobs, including for fitters, fabricators, electricians, assemblers, welders and mechanics. We are particularly pleased that China Harbour would not only be the lead contractor for the project, but will also invest in the project as a **30.0 percent** equity partner and assist in accessing funding from Chinese banking institutions.

We are very much assured that the people of La Brea and its environs would now reinforce their record for excellence in performance in all business and industrial-related activities which had previously existed in those areas and join the global value chain which is central for making the project viable and profitable.

Moruga Fishing Port

A new fishing port in Moruga and associated facilities is in the design stage and would involve a network of facilities with an onshore component, including a modern fishing facility and an offshore component consisting of berthing and landing facilities. The rehabilitation of the Moruga Main Road will provide access to the fishing port and processing facilities.

Maracas Beach Facilities

The Maracas Beach Facility is a favourite site for visitors, both local and foreign. After the project was left virtually abandoned by the previous Government, the main road alongside the beach has now been widened and upgraded and parking is now available in a brand-new car park for approximately **350** passenger vehicles together with space for buses and maxi-taxis. Accommodation for **31** vendors is now being provided in new modern booths and the public now has access to

an aesthetically pleasing, modern, safe and effectively managed attraction of international standard.

San Fernando Waterfront

Madam Speaker, the San Fernando Waterfront redevelopment and re-generation project is modernizing King's Wharf Central and South Nodes and upon completion in **2020** at a cost of **\$144.0 million** it will generate new economic activities in a safe and secure environment. The project would involve:

- Firstly the reclamation of land at King's Wharf North at a cost of **\$57.0 million** with a target completion date of **November 2020**;
- establishment of a small fishing facility and jetty along Hatter's beach;
- construction of a mixed-use development inclusive of medium-income housing at Lady Hailes Avenue utilizing public-private-partnership arrangements; and
- the development of an administrative complex at Chancery Lane San Fernando with **10** floors for office accommodation, **3** floors for commercial space and **300** car parking spaces.

Skinner Park Redevelopment

We are also restoring and upgrading Skinner Park as a host for sporting, cultural and recreational activities in San Fernando and its environs. The redevelopment of Skinner Park will ensure that our national community will have access to the premier multi-purpose complex which will be used by schools and communities to host numerous sporting and cultural activities.

These two projects in San Fernando, among others, will create employment opportunism for nearby communities, such as Pointe-a-Pierre.



Pedestrian Safety and Traffic Management

We are rolling out road and highway infrastructure to ensure the safe and efficient movement of pedestrians and vehicular traffic. The Sea Lots Walkover across the Beetham Highway and the Water Taxi Pedestrian Walkover to the Brian Lara Promenade over Wrightson Road will provide our pedestrians with ease of access to several centres of interest in a safe and secure manner. The Curepe Interchange which is slated for completion in **2019** is continuing the process for the removal of traffic lights along the Churchill Roosevelt Highway and in the process would facilitate the unimpeded flow of vehicular traffic along that important route in the highly-populated eastern corridor, all the way up to UWI.

These initiatives, when combined with speed cameras and breathalysers, will consolidate the already improving safety on our roads. Indeed, we are on track to have the lowest number of road fatalities in almost **three (3)** decades, lowest number of road fatalities in 30 years.

Coastal Protection

We are re-establishing our coastal communities as models for sustainable development through our stabilization work to contain the enduring process of coastal erosion. Benefitting from these works at a cost of **\$370.0 million** over a **six (6)** year period would be: Mayaro/ Guayaguayare, Grandville, South Cocos Bay, Cap-de-Ville, Matelot-Grande Riviere, San Souci, Quinam, Manzanilla and Little Rockley Bay in Tobago

Hospitals

Madam Speaker, we have been screening our expenditure on the health sector in pursuit of our public policy objective to deliver quality public healthcare services to our citizens consistent with global standards. Based on an integrated hospital sector delivery model, basic primary and secondary healthcare services will be brought within the reach of our citizens wherever they reside. Healthcare services are being provided by our public health institutions which are increasingly skilfully-managed and are becoming fully accountable to our citizens.

We are in the midst of an extensive construction programme to expand, upgrade and modernize our primary and secondary health institutions:

- *the Point Fortin Hospital* is scheduled to be operationalized in **September 2019**. With financing of just under **\$1.0 billion** provided by the Government of the Republic of Austria, the new hospital will have **100** beds for in-patients and **16** additional beds for day care patients. We expect that upon commissioning, this hospital with state-of-the-art equipment, would generate between **800 - 1000** jobs in all disciplines, including security, administration, bio-medical, nurses, interns, house officers, cleaners and consultants. Our citizens in the *south-west peninsula*, including Point Fortin, La Brea, Cedros, Icacos and others would benefit from the range of services offered at this institution, including maternity and obstetrics, haemodialysis, diagnostic and accident and emergency and many others;
- Madam Speaker, *the Arima Hospital* is scheduled for completion in **July 2019** at a cost of **\$1.2 billion** and with **150** beds will serve the surrounding communities of Arima, including D'Abadie, La Horquetta, Malabar and Arouca. Delivery of services would not be substantially different from those provided at the Point Fortin Hospital;
- *Port of Spain General Hospital: Central Block* is being re-developed at a cost of **\$1.7 billion**. Upon completion it will provide **540** beds and substantial clinical services for the citizens who live in *Port of Spain and in the surrounding communities*. This project is being expedited in light of our decision to relocate the patients from the Central Block to other facilities consequent to the *6.9 magnitude earthquake* which occurred on **August 21 2018**. While the Central Block was not severely impacted, I wish to assure this Honourable House that this Government is taking all the necessary action to deal with the situation in the best interest of our citizens. The safety of our patients and healthcare staff is our primary concern;
- *the Couva Medical and Multi-Training Facility* is now being operationalized under the remit of a new company: the *Couva Medical and Multi-Training Facility Limited*. The Facility will be jointly-owned by the Government of Trinidad and Tobago and the University of the West Indies (UWI). The Board of

Directors is now seeking an operator for this state-of-the-art facility which will be the new model of healthcare and will consolidate our entry into the area of *health and health tourism*. The Board is also securing *an offshore medical facility*.

We are establishing a fee-paying structure for access to the services as well as a mechanism for meeting the expenditure associated with easy access by vulnerable and low-income groups. The University of the West Indies will now have access to another teaching and training hospital catering for an additional **300** students;

- and yet another hospital Madam Speaker, *a new Sangre Grande Hospital* is scheduled to begin construction in 2019 on an expedited basis utilizing the model for the Point Fortin Hospital, in particular the design and financing arrangements with the Government of Austria. This hospital will be built at an estimated cost of **\$850.0 million** and would be a **100**-bed facility with capacity for an additional **16** same-day patients and will provide broadly similar services to the Point Fortin Hospital.

Police Stations

The Trinidad and Tobago Police Service is being equipped with the relevant resources and the building facilities to meet their essential operating needs. We are constructing modern police stations. **Three (3)** new police stations have already been completed and commissioned: at Besson Street, at St. Joseph and at Maracas, St. Joseph. **Five (5)** police stations are moving to construction phase: at Old Grange and Roxborough in Tobago and Manzanilla, Matura and Matelot in Trinidad. The Carenage and St. Clair Police Stations are also now in construction mode.



ECONOMIC ACTIVITY

Madam Speaker, our policy agenda is aimed at achieving high and sustainable economic growth. The Government is playing an important role in establishing the necessary infrastructure and regulatory framework for businesses to foster and to grow.

EXIM Bank Facility

The *EXIM Bank Foreign Exchange Facility* which we established in **2018** is now fully operational. Consistent with its mandate to promote non-energy exports, the EXIM Bank is now able to fund its foreign exchange account - with **US\$ 100.0 million** in the first instance - to meet the foreign exchange requirements of certain qualifying non-oil domestic manufacturers. Applications which are now being processed are aligned with the export-driven plans of our domestic manufacturers thereby consolidating investor confidence in our economy and at the same time contributing to the expansion and competitiveness of our non-energy base.

Agriculture Financial Support Programme

The *Agriculture Financial Support* Programme announced in the last Budget will be launched by the Honourable Minister of Agriculture, Land and Fisheries on Wednesday of this week in the farming community of Paramin, Maraval.

The programme will provide one-off grants of up to **\$100,000** for *successful and approved* agricultural producers with investment opportunities in a range of activities, including modern farming technology, research and product development, brand building, food safety compliance requirements, value added initiatives and energy-saving and labour-saving technology. An agro-incentive Assessment Committee will review proposals and select the agricultural producers. The Committee will comprise officials from

the Ministries of Agriculture, Land and Fisheries and Finance, the Agricultural Development Bank and the National Agricultural Marketing and Development Corporation (NAMDEVCO).

Housing Construction Incentive Programme

Madam Speaker, through the recently-introduced *Housing Construction Incentive Programme*, we are encouraging private developers to construct homes with a view to expediting the supply of affordable housing for our low-income applicants.

Participation in this programme is available to any person, developer or contractor who wishes to and has demonstrated an ability to finance, build and sell housing units in accordance with the specifications and guidelines laid out for the Housing Construction Incentive Programme and who is prepared to construct housing units in accordance with designs, specifications and prices fixed by the HDC. Under this policy, private developers can provide the lands, or the state could make lands available with or without infrastructure. We have engaged **15** investors who wish to participate in the programme with an undertaking to construct **1,845** housing units by the end of **2021** when the programme would expire.

Manufacturing

The manufacturing sector rebounded in 2018, with amazing growth of **7.3 percent**, with growth in all manufacturing subsectors. We are thus at a critical turning point in our growth and developmental phase. The recovery in gas production and the recent buoyancy in oil prices are driving the recovery in growth in other sectors. We are capitalizing on this window of opportunity. We are ensuring that the emerging macro-economic conditions remain conducive to growth. We are reforming the environment to facilitate the

ease of doing business; we are rolling out infrastructure and ensuring that the local manufacturing sector has access to foreign exchange for its operational and import requirements, in particular in export-oriented businesses. We are taking steps to facilitate the establishment of new business clusters as part of a wider economic transformation programme.

We have identified **seven (7)** key national economic areas: financial services, maritime services, aviation services, fishing and fish processing, agriculture and agro-processing, software design and application and the creative industries and we are making progress Madam Speaker.

Maritime Sector

The transshipment and cold-stacking activities in the Gulf of Paria are attracting an upsurge of interest from both local and foreign entities. These activities in the maritime sector do not require infrastructure; but generate significant employment.

Yachting Sector

Madam Speaker, our yachting policy is already paying dividends. Yacht arrivals have been on the increase; from **545** in the **January - June 2017** period to **683** by **June 2018**; this represents an increase of **25.0 percent** in arrivals, bringing much needed business in yacht repairs and maintenance to Trinidad. We are ramping-up our marketing and promotional planning, our international sensitization campaign as well as training and certification with a view to maintaining the momentum of the current expansion.

Yachting is an important tourism niche in Tobago and to that end, we are expediting the development of a marina facility in Tobago, the proposals for which were closed in **July 2018**. We have also begun the process for identifying suitably qualified entities to submit proposals to establish and develop a National Marina-Ferry Terminal at Invaders Bay.

Creative Industries

We have been facilitating the development of a creative industry sector. During the period **March - June 2018**, the Live Music District Programme which provides a platform for live music performances became alive. Financial opportunities for those **160** artistes who were selected for the *Artiste Portfolio Development Programme* were presented at **31** venues which showcased **340** performances. We envisage that with this experience as a revenue-generating model, these artistes will now have the opportunity to perform before larger audiences and undertake appropriate tours.

In light of its success, this pilot programme in Port of Spain will now be extended throughout Trinidad and Tobago with live music performances year-round providing in the process collaboration among hotels and venues, in particular for tourism programmes.

Industrial Estates

Many new businesses and industries are being promoted by the various industrial estates which are now being established. We are improving and expanding the supply of serviced industrial property. Existing industrial estates - under the remit of Evolving TecNologies and Enterprise Development Company Limited (eTeCK) - are being packaged for ownership by the public. For this reason, we are moving rapidly to establish new projects as modern high-performing engines of growth on a number of new estates and others like the Tamana InTech Park and the Phoenix Park Industrial Estate.

We have determined a phase 1 plan to divest **six (6)** properties owned by eTeCK- **five (5)** undeveloped land sites and **one (1)** commercial building. We are introducing the private sector into the ownership of these estates through a competitive tendering process. We are entering into negotiations with **three (3)** investors for **three (3)** undeveloped land sites, for which competitive bids relevant to their values have been submitted. We will re-advertise the other **three (3)** properties to secure improved bids.

Madam Speaker, in collaboration with the Beijing Construction Engineering Group (BCEG), we are developing a new modern industrial park in Phoenix Park Couva at a construction cost of **US\$104.3 million** almost **\$700 million TT dollars** Madam Speaker and



financed by EXIM Bank of China. Under its *Belt and Road Initiative*, Trinidad and Tobago has been identified by the Government of the People's Republic of China as the gateway for China to increase market integration and economic co-operation in the strategic region of South and Central America.

Expanding our export-oriented and manufacturing base is integral to this process, in particular access to modern port facilities. Beijing Construction has already obtained interest in participation in the Industrial Estate from **ten (10)** Chinese companies involved in high value and light manufacturing and emerging industries, for example, electronic technology, informational technology, energy-saving ecological building material and bio-technology.

In **June 2018**, eTecK executed a Memorandum of Understanding with Beijing Construction to advance the project which will have a construction period of **thirty-three (33)** months; will generate **1,000** jobs during the construction period and another **1,000** during the operational phase. Once fully operational, the new park in **Couva** will provide space for **60-80** factory shells and directly employ **4,000 – 5,000** persons and in the process contribute to the expansion of our gross domestic product.

Agriculture

Madam Speaker, the diversification of the agricultural sector remains a high priority for this Administration. We are creating and sustaining competitive advantages in areas where our capabilities can be utilized to exploit national and global opportunities. We are utilizing state lands and/or quality infrastructure as equity contributions to capitalize both domestic and international opportunities.

The Government-driven *Moruga Agro-Processing and Light Industrial Park*, now in construction phase, represents quality infrastructure to support high-quality products capable of competing with international brands. The facility at a cost of **\$77.0 million** will accommodate private businesses. There will also be facilities for canning, bottling and freezing of finished products. Our already-initiated interaction with farmers and other producers is setting the stage for production to start immediately upon the completion of the project in **March 2019**.

Madam Speaker, the recent sod-turning for the **Next Generation Hatchery** at Brechin Castle, Couva is public-private-partnership-driven under which the Government has provided state lands to facilitate the construction and development by the private sector of a modern hatchery. This project would ensure that the firm remains relevant and competitive in the market and will consolidate the poultry sector which is already contributing over **50.0 percent** of the gross domestic product of the agricultural sector.

We are also taking steps to ensure that our import-permitting system utilizing CARICOM regional standards for poultry products will put our local processors on an even playing field and allow them to defend their market share against competition from importers who import chicken from the North-American market which can be as much as **three (3)** years old.

Madam Speaker, we are building on our competitive advantages within selected niche markets; we are continuing to rehabilitate our coconut, cocoa and citrus industries. Under the *Coconut Rehabilitation and Re-planting Programme*, **2,000** coconut seedlings were distributed to our farmers, **15** of whom in the East Coast were provided with technical support.

The *Cocoa Rehabilitation Programme* is focusing on improvement in varieties. The *citrus industry* was provided with **2,300** disease-free citrus plants and **3,000** kilograms of seeds.

Tourism

We have been reforming the tourism framework with the aim of catalysing the economic impact of a striving tourism sector. The sustainability and success of the sector now rest on **two (2)** pillars. The **Tobago Tourism Agency** is already developing and marketing the Tobago tourism product as a leisure-based location while the **Tourism Trinidad Company** is marketing Trinidad as a location for meetings, conferences and exhibitions.

• Sandals Tobago

Within this framework, the *Sandals Golden Grove Tobago Project* represents a major turning-point for the economy of Tobago. The Sandals and Beaches Resort will be built at Buccoo/ Golden Grove and will

be owned by the people of Trinidad and Tobago and equity partners; but the hotel will be managed and operated by Sandals Resorts International.

The resort will have approximately **500-750** rooms and up to **2,000** permanent employees with significant linkages to the local economy. The economic impact of Sandals will be substantial, including estimated income to the Government of **US\$80.0 million (TT\$480.0 million)** per year in taxes and other payments. The project will add significant value to the tourism industry as we continue our drive towards sustainable economic development and diversification away from oil and gas.

• **Magdalena Grand Beach and Golf Resort**

We are at an advanced stage of securing an internationally-recognized brand operator for the **198** room Magdalena Grand Beach and Golf Resort, in the context of the **December 31, 2018** expiry of the lease of the existing operator. We are targeting operations and brands which would manage the hotel under a model which will deliver a combination of a European plan with the guests having the freedom to explore local restaurants, shops and excursions and an all-inclusive plan. We are being assisted by a Canadian-based company, CBRE Hotels, to secure an operator and during the period **September 10-14, 2018**, three **(3)** investors conducted site visits in Tobago and submitted proposals on **September 22, 2018**. With the contract expiry date of **December 31, 2018** for the existing operator, we are making tremendous efforts to have in place on **January 1, 2019** an internationally-recognized brand manager for the Magdalena Grand Beach and Golf Resort.

• **International Airport: Tobago**

The induced demand from the Magdalena Grand Beach and Golf Resort and the Sandals Beaches Resort will attract a higher level of airlift. The construction of a new terminal at the ANR Robinson International Airport is being undertaken utilizing a build-own-lease-transfer model and would involve all airside infrastructure works, inclusive of apron taxi way and aircraft parking, a new car park, a new access road and

modernization and upgrade of the existing terminal. The new terminal building will support much higher levels of airlift and international demand and bring tremendous benefits for the Tobago economy. This project is expected to be completed by the end of **2020**.

• **Air and Sea Bridge**

We are well aware that the Tobago Hotel Industry is very dependent on the market based in Trinidad. Caribbean Airlines Limited has been strengthening the air bridge. The fast ferry - the TT Spirit, is now being joined by the Galleons Passage to improve the sea bridge, which the Minister of Works and Transport has advised will make its first official commercial journey to Tobago within the next seven days.

The current fleet will be further strengthened with the securing of **two (2)** brand new state of the art fast ferries scheduled to arrive in mid-**2020**. The ferries are being procured from **two (2)** world class Australian-based companies, Austal and Incat. One fast ferry will have a capacity of **926** passengers and **250** cars and trucks and is designed to sail at a speed of **37.5 knots** per hour and the second ferry will have a capacity for **1,000** passengers and **357** cars and trucks with a speed of **39.5 knots** per hour. Both ferries will make the trip to and from Trinidad and Tobago in **2 1/2 to 3 hours**.

Madam Speaker, we are already realizing gains from some of the measures which we have put in place to strengthen the tourism sector:

- we have been collaborating with cruise lines resulting in an increase in cruise passenger arrivals to **126,392** in the current fiscal year from **48,878** in fiscal **2017**. That is a **200% increase** Madam Speaker;
- we have been upgrading the facilities at our beaches, including drainage, car park facilities, installation of solar lighting, CCTV cameras and new vendor booths; and
- we have approved applications for **eight (8)** operators under the Trinidad and Tobago Tourism Accommodation Upgrade Project.



ENERGY

Madam Speaker, recent developments within the energy sector, including the Gas Agreement with Venezuela, expanded exploration and production activities by our upstream producers and the reform of the Petroleum Company of Trinidad and Tobago (PETROTRIN) are bringing greater clarity to the future of the sector and are ensuring that the sector operating at full potential and without leakages will provide the national economy with the resources required for transforming the economy, putting the economy on a trajectory of sustained growth and development and contributing to our sovereign wealth fund.

Gas production has been increasing with an annual average of **3.80 billion** standard cubic feet per day in **2018** and with projected increases to:

- **3.94 billion** standard cubic feet per day in **2019**;
- **4.05 billion** standard cubic feet per day in **2020**; and
- **4.14 billion** standard cubic feet per day in **2021**.

These average production data are being driven by enhanced activities among our major oil and gas upstream producers who continue to view Trinidad and Tobago as an attractive environment for investment and to continue to find and recover energy resources more safely and efficiently. Let me share with this Honourable House some of the projects which are in the pipe line.

BP Trinidad and Tobago (BPTT) announced an investment programme of **US\$8.0 billion** over the next **ten (10)** years and has in place **nine (9)** projects, including:

- Juniper, now fully operational;
- Angelin, to come on production in 1st quarter 2019;
- the Cassia gas compression project to begin operation in 2020;
- the Trinidad Regional Offshore Compression (TROC) project to come to an end in 2021;

- exploration drilling will be taking place in the period 2019 -2021; and
- future field developments will be taking place from 2023 and beyond.

EOG Resources Inc. (EOGR) would begin in 2019 a major exploration and development drilling programme.

Shell Trinidad & Tobago Limited (SHELL) is focusing on **three (3)** major projects:

- drilling and production in Starfish;
- development drilling and production in Dolphin field; and
- development drilling in Block 5c (Bounty and Endeavour) could produce gas by 2021.

The first two have already commenced.

BHP Billiton Limited (BHP) has in place a development programme with:

- gas supply to be maintained to National Gas Company at **340** million standard cubic feet per day for the next **two (2)** years; and
- development of Block 3a expected to begin production in 2023.

DE NOVO will commence production before the end of 2018.

Madam Speaker, in addition to the turnaround in domestic gas production, we have concluded the commercial negotiations for the sale of gas from the Dragon Field in Venezuela. A pipeline, to be built at a cost of **\$1.0 billion**, will be owned in a joint venture company between the National Gas Company and Shell Trinidad. The pipeline will transport the natural gas from Eastern Venezuela to the Hibiscus Platform off the North Coast which is owned by Shell Trinidad. The revival of the sector will be sustained as we move to conclude arrangements for cross-border gas in the Loran/Manatee Fields which straddle the maritime borders of both our countries. These fields have an estimated **10.25 trillion** cubic feet of gas, of which **26.0 percent** belongs to Trinidad and Tobago and the residual **74.0 percent** to Venezuela.

Our up-stream producers have reversed the decline in

our gas production and are returning the gas supply to the peak levels of approximately **4.1 billion** standard cubic feet per day, thereby keeping the petrochemical plants and LNG trains at full operational and efficient levels.

Madam Speaker, the *Methanol to Dimethyl Ether (DME) Complex*, being established by Caribbean Gas Chemical Limited, with majority ownership by Mitsubishi Chemical Holdings Corporation, is at an advanced stage of completion with commercial operations slated for the first quarter of **2019**. The Complex has a capacity of **1.0 million** metric tonnes of methanol per annum and **20,000** metric tonnes of DME per annum and exports will generate substantial foreign exchange and economic activity in the area. There are approximately **1,700** workers currently on the job site with approximately **500** from the fence-line communities, in particular from La Brea, Point Fortin, Fyzabad, Palo Seco, Penal, Siparia, Gasparillo and Marabella.

Two (2) additional downstream gas projects in aluminium production are programmed for the south-west peninsula with production of a number of finished products for use in the automotive sector and as inputs for electrical infrastructure and in the construction phase **1,000** direct jobs and **3,000** indirect jobs will be created.

With increased up-stream activity backed by expanded energy-related investments, crude oil and associate condensate have been trending upwards. Increased drilling has been taking place as well as the issuing of licenses for new acreage and a competitive bid round for **six (6)** shallow water blocks is being offered.

Over the period **2019 - 2021**, production of crude is expected to rise to **77,500** barrels of oil per day contributing significantly to increased economic activity, exports, revenue and foreign exchange and the production trend could be consolidated by the renewed focus of PETROTRIN on exploration and production activities and by BHP Billiton's Ruby Delaware project. This could push our annual combined production of oil to about **100,000** barrels of oil per day and generate increasing levels of foreign exchange and enhanced revenues from petroleum.

Madam Speaker, we have become extremely concerned with transfer pricing malpractices and revenue leakages stemming from the commercial and contractual structures of the LNG Trains. In order to ensure that the people of Trinidad and Tobago benefit from global energy prices especially when those prices are at high levels, we have entered into negotiations with major upstream companies aimed at redressing the situation. The negotiations are centred on the existing contractual and commercial arrangements, the extension of the licensing of Train 1 and the production sharing contracts. The Government has appointed an Empowered Negotiating Team to conduct these negotiations with these companies and the Team is assisted by expert international energy consultants and world-class oil and gas lawyers.

Renewable Energy

Madam Speaker, our commitment to the Paris Agreement on climate change dealing with greenhouse-gas-emissions mitigation and the competing uses for our limited natural gas supply is driving the establishment of an enabling environment



to facilitate the use of renewable energy for power generation. We have committed ourselves to increase energy supply by using renewables up to **10.0 percent** by **2021**. We have embarked on **two (2)** projects to allow small producers of renewable energy to feed electricity into the National Grid and we will do so by amending the Trinidad and Tobago Electricity Commission (T&TEC) Act and Regulated Industries Commission (RIC) for:

- *Utility scale renewable energy development:* Expressions of Interests (EOI) have been received from Independent Power Producers (IPPs) for the development of utility-scale renewable energy power generation and three Megawatts (3MW) and greater. The Request for Proposals (RFPs) would be issued shortly to qualified independent power producers through Build Own Operate (BOO) Schemes for Grid-Tied power generation; and
- *Waste-to-Energy (WtE) Development:* Expressions of Interests (EOI) have been received from developers for the establishment of a waste-to-energy plant to be located at the Beetham landfill.

Madam Speaker, our commitment to a **30.0 percent** conversion rate to CNG for all Government-owned vehicles by **2020** has not been as successful as we had envisaged. As a result, we have decided to mandate all Government agencies to adhere to that objective by introducing into existing tendering arrangements for motor vehicles, whether being purchased or leased, a provision that a minimum of **30.0 percent** of all such vehicles should be provided either through original equipment manufacturer (OEM) or CNG-converted.

PETROTRIN

Madam Speaker, after a comprehensive assessment and analytical review of its operations, we have decided to close the refining and marketing business unit of the Petroleum Company of Trinidad and Tobago Limited (PETROTRIN). We are re-purposing PETROTRIN which would now focus on the full exploitation of its exploration and production activities and on a new terminalling business through which imports will now meet the demand of Trinidad and Tobago and the CARICOM region for the refined products previously produced by the refinery: *motor gasoline, diesel, aviation fuel, liquefied petroleum gas and other derived and refined products*.

Madam Speaker, in **1985**, to save jobs, the then PNM-Administration took the decision to purchase the failing refinery assets from the international private sector. Since that time, the refinery economics have further deteriorated as the refinery has failed to adapt to the changing fuel environment which demanded cleaner standards for fuel technologies in local and foreign markets.

The continuing efforts over time by the managerial, technical and governance personnel to improve the efficiency of the refinery to meet the standards for the internationally marketable products fell short of requirements. All the major plant upgrades failed - from the gas optimization plant to the ultra-low sulphur diesel complex and the gas-to-liquids plant - all experiencing substantial cost overruns in the process. The cost of these upgrades has loaded the company with an unsustainable debt burden - approximately **\$12.0 billion** of which **\$5.780 billion** is due in **August 2019**. While the company continued to incur persistent losses:

- *the gasoline optimization programme* saw its cost rise from **\$2.45 billion** in **2005** to **\$12.6 billion** when it was completed in **2013**;
- *the cost of the unfinished gas-to-liquids plant* rose from **\$1.55 billion** to **\$3.15 billion**

- *the cost of the ultra-low sulphur diesel complex* rose from **\$791.0 million** to **\$2.89 billion** and while this project is **98.0 percent** mechanically completed, it cannot be operated because the structural specifications were not followed, meaning that the foundation is faulty and cannot be used. It would take **\$2.5 billion** to rectify the defects.

Madam Speaker, in the context of these managerial failures, the size of the employee-base at PETROTRIN remained in the vicinity of **5,000**, divided between the refining and marketing business unit and the exploration and production business unit.

In addition, the monthly wage bill amounted to **\$183.0 million** per month or **\$2.2 billion** on an annual basis.

Coupled with this wage bill, the medical plan was running at an annual cost to PETROTRIN of approximately **\$245.0 million**; per year but with very low contribution rates by the employees ranging from **\$50** to **\$80** per month. What is interesting about this **\$245 million**, medical plan is that it currently covers **21,000** present and past employees and their unmarried family members under the age of **21** or under the age of **23** if still in school. It effectively covered a PETROTRIN employee and spouse until death. This has to be one of the most generous medical plans in Trinidad and Tobago, if not in the entire Caribbean region.

Madam Speaker, survival of the company was only possible through the non-payment of **\$3.5 billion** in taxes and royalties, in breach of the law, and the procuring of Government Guarantees in the amount of **\$1.5 billion** for loans from financial institutions which have significantly increased the public debt.

This has placed a severe burden on the Treasury and on taxpayers, especially in view of the fact that PETROTRIN extracts **40,000** barrels per day of taxpayers' oil, at a value of **\$6.0 billion** per year, for which taxpayers receive **NO benefit**.



Notwithstanding self-serving and uniformed commentary, the truth is that PETROTRIN is tottering on the brink. Action must be taken now.

As recently as last month, PETROTRIN approached the Ministry of Finance for financial support by way of another Government guarantee in the amount of **US\$56.0 million**, or **TT\$380.0 million**, to purchase a cargo of crude oil, since the shipper refused to discharge the cargo without a guaranteed letter of credit.

And just last week, PETROTRIN approached the Ministry of Finance for more financial support to refinance debt instruments totalling a further **US\$180.0 million (TT\$1.2 billion)** as they become due for payment.

Madam Speaker, PETROTRIN in its current form remains unprofitable and whatever scenario is analysed, it cannot generate a profit without drastic restructuring. The financials generated by independent consultants, both local and foreign, provide a grim outlook of a deteriorating financial situation which cannot be improved even if billions of dollars in capital are injected into the company, which capital is simply not available.

Madam Speaker, the latest financials for the company are illustrative of a looming crisis which if left unresolved would have a serious impact on the national economy. Here are some financial statistics for just part of the current financial year, which would alarm any rational person:

- *deficient working capital* of **\$6.57 billion**;
- *9-month financial loss* of **\$1.04 billion** in the refinery and marketing business units;
- *unpaid taxes, levies and royalties* of **\$3.5 billion** owed to the Government;
- *short-term loans* of **\$5.0 billion** with the company seeking a government guarantee for further short-term working capital credit support for which it had already provided guarantees of **\$1.6 billion**;
- *upgrade and maintenance work* require **\$7.0 billion** for the aging plant and equipment at La Brea, if not, major oil spills will continue unabated;
- *declining land and marine production* was taking

place as investment resources were being transferred from the exploration and production division to the refinery operations, including for the purchase of approximately **100,000 barrels** of crude oil per day, at a cost of **\$47.0 million** a day, the refining of which resulted in a loss of **US\$3.00** for each barrel of oil refined, or **\$3.0 million** per day; and

- *escalating manpower costs* accounting for almost **50.0 percent** of recurrent expenditure.

There was no doubt at both the level of the company and the representative trade union: the Oilfield Workers' Trade Union (OWTU), that the business model in place at PETROTRIN had become obsolete and uncompetitive and its operating practices inefficient. The basic benchmarks for the company were inconsistent with global industry standards and best practice.

To continue in its present state, PETROTRIN will require an immediate cash injection of **\$25.0 billion**; but the company will continue accumulating losses at approximately **\$2.0 billion per annum**.

That capital is unavailable from the taxpayers of Trinidad and Tobago. The status quo is not sustainable.

Even if it was decided to maintain the refinery and marketing business unit at a breakeven level, the cost would be substantial, at approximately **\$7.0 billion** to finance a reduction in personnel, vastly improved efficiencies, a new Ultra-Low Sulphur Diesel facility and other infrastructure upgrades.

This **\$7.0 billion** in financing is also unavailable from the Government.

To put things into perspective, it must be underscored that the PETROTRIN refinery has been consistently losing over \$2.0 billion a year for the last several years, a fact hidden from the public by the previous Government. Indeed, the huge and unsustainable losses in the refinery were being camouflaged by the income from oil production, and concealed through creative accounting and non-payment of taxes, a fact well known for years by all senior personnel at PETROTRIN.

Madam Speaker, it was these considerations which led us to a new business model for PETROTRIN. The vision is for PETROTRIN to be profitable and internationally-competitive. It will be a leader in the local energy sector and it will be an employer of choice and a source of national pride. To achieve this vision, we took a number of decisions:

- *closing the refinery* is the only commercially-sound and viable option: with the **40,000 barrels** of local crude now exported and earning the country substantial foreign exchange;
- *the exploration and production activity* will be aggressively pursued to increase production from the current low level of **40,000 barrels** per day to minimum of **60,000 barrels** per day: and in the process generating foreign exchange; and
- *the petroleum-based products* produced by the refinery will now be imported through the establishment of a Terminalling Business Unit and those products distributed to local and regional markets at profitable levels: *motor gasoline, diesel, aviation fuel, liquefied petroleum gas and other derived and refined products.*

Madam Speaker, the refining assets will now be put in a separate company and we would entertain any viable offer from any investor who might wish to utilize the assets.

The OWTU still has the first option to own and operate it on the most favourable terms.

This notwithstanding, we are acutely aware of the traumatic effect of this development on all the workers, their families and on the wider fence-line communities such as Marabella, Pointe-a-Pierre and surrounding environments. In order to minimize the overall negative effects of this inevitable decision to get out of refining, the Board of PETROTRIN and the OWTU have begun the process for ensuring that the employees of PETROTRIN are provided with transitional finance for their re-integration into the national economy.

The terminated permanent, temporary and casual employees of PETROTRIN will be provided with attractive termination packages. Early estimates put this termination payment at approximately **\$2.6 billion**, consisting of **\$1.8 billion** for all employees under the separation packages in **nine (9)** collective

agreements, **\$555.0 million** in back pay for all employees, **\$203.0 million** in vacation pay for all employees and **\$30.0 million** in ex-gratia payments for all contingent employees.

Further, Madam Speaker, PETROTRIN has **two (2)** pension plans which are both fully-funded with a combined asset value of **\$10.7 billion** and which according to the latest actuarial valuation will meet all obligations and liabilities relating to these plans. Both monthly and weekly paid employees contribute to the pension plan. Employees contribute **7.0 percent** of base salary plus cost-of-living allowance (COLA) on a monthly/ weekly basis while the company contributes **14.0 percent**.

Madam Speaker, in the transition, **1,400** employees would be eligible for early retirement, **800** employees will be recruited for the Exploration and Production Unit and **200** for the Terminalling Business Unit.

I wish to reiterate on behalf of the Government that we will do all that we can to assist displaced workers at PETROTRIN to transition to their new circumstances. We will provide all available support at our disposal. And we will work with the company to ensure that adequate funds are available to pay termination benefits on time and in full.

Madam Speaker, the Government is ramping up its expenditure in the surrounding communities through social support and infrastructure activity. The China Harbour and NIDCO maritime project in La Brea and the increased drilling and production works being undertaken by PETROTRIN will bring additional opportunities for the former employees for jobs as fitters, electricians, assemblers, welders and mechanics, technical craftsmen and for contractors and many other service companies in the emerging industries in the southwest peninsula.

We are confident that the reinvented PETROTRIN will resume its rightful place as a leader in the oil and gas sector of Trinidad and Tobago and will become a profitable and efficient entity that makes a positive contribution to the Treasury. May I also point out that the company has advised that it will continue to be a significant earner of foreign exchange, in the vicinity of **US\$200.0 million** plus per year, after it completes the transition to its new business model.



BUILDING HUMAN CAPITAL

Madam Speaker, our human resource capability is an essential requirement for undertaking and implementing successfully key actions and initiatives for achieving of our long-term development goals.

Before I proceed, as was the case last year, I wish to emphasise that it is not humanely possible to deal with every area of Government activity in this Budget Statement, and accordingly, I will confine myself to brief remarks on a number of sectors and leave the details of the policies and programmes for my colleagues.

Education

Madam Speaker, the People’s National Movement has a proud track record and a legacy of investing in our citizens through education and training to ensure that all citizens have equal opportunities. Successive PNM Administrations have long provided free universal education to our citizens at both the primary and secondary school levels.

In **2004**, we increased access to undergraduate studies. The Government Assistance for Tuition Expenses Programme (GATE) and the Higher Education Loan Programme (HELP) have been key instruments in this process.

Madam Speaker, the University of Trinidad and Tobago (UTT) has been discharging its role as a catalyst for economic transformation through the advancement and application of research and dissemination of knowledge to produce work-ready graduates and critical thinkers for the country. The University is consolidating relevant programmes and services to the UTT Tamana Campus which would now become the main research and innovation hub of UTT. This would allow the university to rationalize facilities, reduce costs currently spent on aging infrastructure and redirect capital funds to the Tamana Campus.

Madam Speaker, we are incorporating information and communication technology into the teaching and learning process in the nation’s schools. In addition to the provision of laptop computers to secondary schools across the countries we are putting in place a governance structure of the management and co-ordination of ICT initiatives. Importantly, the use of laptops by students and teachers would facilitate the integration of ICT into curriculum delivery in all subject areas thereby laying the platform for the full integration of our citizens into the new digital economy.

Housing

Madam Speaker, the People’s National Movement has had a proud legacy of ensuring that our citizens have access to adequate, affordable and decent housing. Throughout the length and breadth of the country, we have long-established a network of communities anchored on affordable and good-quality housing which our low-to middle-income recipients could not have afforded otherwise.

On assuming Office, we found a housing demand by low-and middle-income groups in an amount approximating **176,000** applicants – an application level which is now being subject to a due diligence exercise with a view to establishing a reliable and credible database.

Madam Speaker, we undertook an immediate assessment of our capability to improve the delivery of housing units to close the gap between demand and supply, bearing in mind that the financial constraints and the *high cost of construction of the then existing projects* were limiting delivery to approximately **800** units per annum. Accordingly, raising this housing supply would require innovative solutions, including a supporting and increasing role for the private sector.

We have been reducing through competitive tendering processes the cost of construction from **\$1,200** per square foot which prevailed in the period **2011-2015**,

under the last Government, to approximately **\$600** per square foot for the projects under our current *Accelerated Housing Programme* which is targeting low-income families having access to decent and comfortable dwellings. A 50% reduction in cost.

This programme will now generate **6,000** units by **2020** across **24** communities throughout Trinidad and Tobago.

Madam Speaker, our recently-established *Aided Self-Help Housing Programme* is empowering home owners to manage the construction of their own homes with the State providing financial and technical support. In the **three (3)** month period: **November 2017 - January 2018**, **5,001** applications were received, from which a computerized random draw chose **700** applicants for whom new homes would be constructed in **2019**.

Our *Housing and Village Improvement Programme* is targeting residents of villages located in rural and semi-urban settings to provide them with assistance for home improvement. The first area selected is Samuel Cooper Road in Moruga where emergency construction has commenced on **17** homes; reconstruction work on **30** homes and improvement works on **10** homes. Under the programme structure, we would select another area in financial year **2019**.

Madam Speaker, through public-private-partnerships we have actively-engaged the private sector in the construction of homes. The programme is rolling-out **437** housing units in **three (3)** communities addressing the needs of our middle-income applicants: Chin Chin, Cunupia with **205** units, Fyzabad with **72** units and Mount Hope with **160** units. We envisage that these housing units would be delivered during the course of the next **two (2)** years.

However Madam Speaker, we have to overcome the financial constraints to ensure that we can improve the supply of housing to meet the extraordinary demand by our low income and vulnerable citizens. Capacity-building could deliver **6,000** housing units by **2020** and thereafter **3,000** housing units per annum.

Madam Speaker, the recent oversubscription of the public offering of our **\$4.0 billion** asset-backed bond provides a *window of opportunity* for capital raising. Within the limits of our self-imposed and prudent debt benchmark, we intend to tap the domestic capital

market to overcome the financial constraints which are impacting and impeding the HDC from expanding its housing construction programme.

We have established a framework of co-operation and financing among the HDC, the Home Mortgage Bank (HMB) and the Trinidad and Tobago Mortgage Finance Company (TTMF) to ramp-up the financing for the housing construction programme, to deliver the existing portfolio of **6,000** housing units by the year **2020** and thereafter to deliver an annual amount of **3,000** units.

New interest-bearing housing bonds in an initial amount of **\$1.5 billion** would be offered by the Government to the national community to fund the accelerated housing construction and to finance the subsidy arising from the **2.0 percent** interest rate for low-income mortgages. I will share with the national community the detailed features of this housing bond upon its final conceptualization.

However, simply put, the intention is that citizens who invest in housing bonds will be given preference in the allocation of new HDC housing and will be able to assign the full value of their bonds to the Government in order to reduce the purchase price of their housing units.

This will serve the dual purpose of encouraging national savings and giving first time home owners much needed access to affordable housing.

Health and Healthcare

Madam Speaker, the quality of our public healthcare services remains high on our policy agenda. We are moving towards a healthcare system which is sustainable and modern and delivers higher standards of healthcare. We are improving continually our patient-centred model based on a foundation of modern infrastructure some of which I referred to previously, and scientific evidence-driven strategies. We are insisting that the healthcare system is well-managed and delivers healthcare services consistent with global standards.

In this framework, our goal of achieving universal health coverage is quickly becoming within our reach with every citizen having access to first-class healthcare



with specialist health services being provided in an environment of modern, primary and secondary health institutions. As I outlined earlier, we are expanding, upgrading and modernizing health facilities across the country.

In addition to those already mentioned, a new health centre is being built in Diego Martin and renovations and upgrades are taking place on the St. James Medical Complex, the St. Ann's Hospital, the Port-of-Spain and San Fernando General Hospitals as well as the Caura and Sangre Grande Hospitals.

Madam Speaker, we have achieved the maternal and child health sustainable development goal for the region of the Americas well ahead of the target year of **2030** set by the World Bank. This achievement is due to our own emphasis on improving health and building human capital as fundamental to economic development and growth.

Madam Speaker, this milestone achievement of achieving maternal and child health goal, has been recognized by the President of the World Bank who has asked the Government of Trinidad and Tobago to present the model being pioneered by Trinidad and Tobago at the next Annual Meeting of the International Monetary Fund and the World Bank in **mid-October, this month**, in Bali, Indonesia. Well done Minister of Health!

At that meeting the World Bank would launch a new Human Capital Index with an accompanying human capital project and this forum would serve as a platform for countries to share experiences in advancing human capital.

Social Agenda

Madam Speaker, we have been reviewing the expenditure on our social services and the World Bank has conducted a Public Expenditure Review aimed at improving efficiency in expenditure and delivery and ultimately the generation of budgetary savings:

- *the food card programme* has been subject to extensive verification and evaluation to remove cheaters. Through a programme of direct engagement and advertising we were able to remove **18,000** ineligible individuals from the

programme and in the process established a new database of **24,330** households who received food support at an annual expenditure of **\$139.7 million**, generating **\$150.0 million** in budgetary savings. We have saved **TT\$150.0 million** just by removing cheaters from the system.

We are now assured that food support is reaching individuals and families who are in need and who are in vulnerable situations and experiencing difficulty in meeting their nutritional needs through limited or no income. This notwithstanding, the programme is of short-term assistance. We are undertaking reviews every **six (6) months** to determine whether beneficiaries have moved from the state where they were on entry to the programme and whether they can now stand on their own. To improve access, we have established a new debit-card system for the beneficiaries with the newly-established, re-certified base being transitioned to the new debit card to access food support;

- *Public Assistance Grants* are being delivered to **22,861** persons at a cost of **\$340.8 million** per year;
- *Senior Citizens' Pensions* are being provided to close to **95,300** senior citizens at an annual cost of **\$3.5 billion** Madam Speaker;
- *Disability Grants* are being provided to **23,245** persons at an annual cost of **\$502.0 million**; and
- *Grant funding* in an amount of **\$42.0 million** is being provided to **24** non-governmental organizations, including **three (3)** statutory boards for social services to the poor.

Madam Speaker, we are improving the delivery of these social services; very shortly all recipients of grants would receive funds in their own personal bank accounts. For pensioners, a *life certificate pension system* is being put in place to avoid them having to visit the Offices of the Ministry of Social Development to prove that they are alive. A debit card system for the Food Support Programme will serve to re-assess current cardholders; a Social Transformation and Empowerment Programme would reduce repeat clients and an Integrated Social Enterprise Management System will shorten the grant processing timeframes.

Sports

Madam Speaker, our sports policy has been delivering substantial dividends. We have witnessed an outpouring of patriotism from our national community in response to the outstanding performances of our athletes, both individuals and teams, in recent international games and tournaments. They are making our country proud with a sense of national pride, not seen for many years. Many of our athletes have been parading on the victory podiums before international audiences especially at:

- the 2018 Commonwealth Games in the Gold Coast, Queensland, Australia during the period **April 4 - 15 2018**; and
- the 2018 Central American and Caribbean Games which were held in Barranquilla, Colombia during the period **July 19 - August 3, 2018**.

Madam Speaker, many of our teams have qualified for the highest levels of tournaments. I assure this Honourable House and by extension the national community that all our national teams will be fully-funded:

- *our netball team* will participate in the 2019 International Netball Federation World Cup which would be held in Liverpool, England during the

period **July 12 – July 29, 2019**, after qualification from winning the America's Netball World Cup 2018 qualifier recently held in Barbados;

- *our women's football team* will participate in the 2018 CONCACAF World Cup Qualifying Tournament during the period **October 4 - 17 2018**, this month, with the top **three (3)** teams directly qualifying to the 2019 FIFA Women's World Cup which will take place in the U.S.A. in 2019. The tournament provides an opportunity for a fourth team qualifier; and
- *our women's volleyball team* is now participating in the Fédération Internationale de Volleyball (FIVB) World Championship which is taking place in Japan. Trinidad and Tobago is the first English speaking country in the Caribbean and the first member of the Caribbean Zonal Volleyball Association to participate in that prestigious competition.

Madam Speaker, I wish to salute our elite athletes who participated in these games or who received medals at these international events. They have been and will be well-rewarded under our Reward and Incentive Programme and our own expectation is for a significant medal haul at the 2020 Olympics in Japan.



FOSTERING SAFETY AND SECURITY

Madam Speaker, the recent appointment of a Commissioner of Police is setting in train a framework for transforming and modernizing the Trinidad and Tobago Police Service. We are well-aware that the image of the Trinidad and Tobago Police Service has been severely criticized over the last few years.

To combat and reverse this lack of confidence there is an urgent need for the police service to be transformed into an efficient well-oiled unit which utilizes not only modern crime fighting technology; but also, effective interaction between the police service officers and the public. We are working with the Commissioner of Police on a number of initiatives to improve the capability and effectiveness of the police service.

Firstly we are restructuring the police service. There are several arms of the police service established in the 1960s which are no longer critical or as relevant to today's crime environment. Greater emphasis is now being placed on electronic and cyber-crime. Our new-look police service would reflect a more computerized and technology-savvy workforce with improvements involving a capability analysis of the resources of the police service. This will involve human, physical and technological resources, identification of internationally accepted standards and benchmarks and solutions for identified resource gaps either by redeployment or acquisition.

Madam Speaker, we are in the process of establishing the **Trinidad and Tobago Police Service Operational Command Centre** which will ensure daily command and control of all operations, design patrol methods and ensure proper management and accountability of every patrol and every action taken by the police service.

This will involve the establishment of a real time monitoring mechanism for all police vehicles.

The Operational Command Centre will be manned 24/7 by command centre staff. Emergency Call Centre (ECC) 999/911 calls will be received, prioritized and

managed from the proposed Operational Command Centre. The Operational Command Centre will monitor and manage all major national events.

Madam Speaker, we are also **restructuring the Emergency Call Centre 999/911 System**. This system has not been providing the citizens of Trinidad Tobago with the service which is expected from an emergency call centre.

There have been numerous reports of persons waiting inordinate lengths of time for responses or receiving busy signals when attempting to seek help in situations of distress. The current operational structure is being reviewed and where necessary it will be adjusted to ensure that the system is aligned with international best practice. We will re-launch the system shortly with the primary objectives being the reduction in waiting times for our citizens and visitors.

Madam Speaker, the Minister of National Security has already begun working on ensuring the maximum utilisation of the National Operations Fusion Centre which will ensure that the Police Service keeps in contact and liaises with all other protective agencies such as customs and excise, immigration, the strategic services agency, the defence force, prisons, fire, Office of Disaster Preparedness and Management (ODPM) etc.

Madam Speaker, we are **revamping, rebranding and expanding the K9 Unit**. There will be greater use of dogs in the police service interdiction and management strategy as it relates to drug enforcement.

It is our desire and intention to have the K9 Unit very prominent during the course of the next year and beyond, ensuring better results during both scheduled and non-scheduled operations.

Madam Speaker, the Police Service will make more use of drone technology. These assets will be capable of providing real time video feed for both the National CCTV Centre and the Fusion Centre.

The second area of reform involves the increasing use of technology in police operations. To that end, increasing use will be made of:

- (i) **Global Positioning System (GPS)** for Vehicle tracking
- (ii) **Dashboard Cameras** in all police vehicles.
- (iii) **Body Cameras** on all police men patrolling and responding to calls from the public for service.
- (iv) **Laptops and Tablets for all Police Vehicles.**
- (v) **Computerization of all Police Stations.**
- (vi) **An Enhanced National Finger Print Data System.**
- (vii) **Modernization of the Firearm Users License System.**

In addition, all police officers will be held fully accountable for damages to all assets assigned to them.

Madam Speaker, we will be increasing the use of non-lethal weapons by police officers. We will make the appropriate legal arrangements to allow the use of non-lethal weapons: pepper spray, tasers, mace and rubber bullets. This would assist the police service in protecting both police officers and citizens from unnecessary damage as a result of a confrontation. Police officers will have options available to exert force consistent with the severity of the incident.

Madam Speaker, we are also rebranding the police service. We are considering replacing current police uniforms with a softer, more climate appropriate and more difficult to counterfeit uniform. Discussions with the Police Social and Welfare Association have already commenced and there is unanimity in both the need to change police uniforms and in the agreement or acceptance of the design proposed.

Madam Speaker, further particulars on the area of National Security will be provided in the Budget Contribution of my colleague, the Minister of National Security.



TOBAGO RELATIONS

Madam Speaker, I now turn my attention to Tobago. The budgetary proposals of the Tobago House of Assembly for 2019 were submitted to the Ministry of Finance in **June 2018**, consistent with the statutory requirements of THA Act 40 of 1996. Since then, our teams from the Ministry of Finance and the Ministry of Planning and Development have been in discussions on the budgetary proposals of the Assembly with officials from the Tobago House of Assembly.

I wish to extend sincere gratitude to both the Chief Secretary and the Secretary of Finance and the Economy for the spirit of patriotism and understanding as well as the insights shared during these important discussions.

The development of the tourism sector in Tobago continues to be critical to our overall strategy of diversification of the national economy, even as we put in place strategies for the resuscitation of the energy sector.

The budgetary allocation to the THA provides for the implementation of a *Three (3) Year Road Map for Growth* developed by the Tobago Tourism Agency in collaboration with key stakeholders in Tobago. This Plan focuses on enhancing the Tobago tourism product and associated marketing efforts, improves airlift arrangements and is expected to impact international visitor arrivals to Tobago significantly over the next **three (3)** years. The Hotel Upgrade Programme is being resourced to improve and upgrade the hotel stock in Tobago.

Madam Speaker, we are collaborating with the Tobago House of Assembly on the Sandals and Beaches Resorts Project to advance construction of this potential tourism game-changer in Tobago. This project will expand the stock of high-quality rooms, increase airlift and boost the image of Tobago as a preferred destination.

As we develop the tourism industry in Tobago, we recognize the well-known vulnerability of tourism

and other service industries to the vagaries of the international economic environment. For this reason, we agree with the Tobago House of Assembly that there is still a need for Tobago to develop new economic drivers.

Consequently, we are continuing to support enterprise development in Tobago through the establishment of a Business Incubator Centre and a Tier 3 Data Centre at the Cove-Eco-Industrial and Business Park as well as support the development of the ICT infrastructure throughout Tobago. The Entrepreneurial Grant and Loan Programmes and its various initiatives to stimulate entrepreneurial activity would be continued across Tobago.

Madam Speaker, for fiscal 2019, the budgetary allocation to the Tobago House of Assembly is **\$2.229 billion**, of which, **\$1.979 billion** would be for recurrent expenditure, **\$231.63 million** for capital expenditure and **\$18.0 million** for the Unemployment Relief Programme (URP). This allocation to the Assembly represents **4.30 percent** of the national budget.

As we monitor the fiscal outturn in the coming year, further consideration will be given to additional allocations for Tobago at the time of the mid-year review, in or around **April 2019**, as we did in 2018.

In addition, and very importantly, the Ministry of Finance has continued to hold discussions with the Tobago House of Assembly with a view to permitting the Assembly to source alternative financing to fund some of their development projects. I am pleased to announce that in fiscal 2019 this undertaking will be realized, and the Ministry of Finance has agreed to approve loan financing by the THA for its development projects in an amount of up to an additional **\$300.0 million** in 2019.

Madam Speaker, beyond the direct allocation to the Tobago House of Assembly, another **\$1.055 billion** is allocated for expenditure in Tobago by various government Ministries and Statutory Authorities in

2019 Budget Statement 2019

keeping with their legal obligations under the Sixth Schedule of the THA Act 40 of 1996. The Central Government and the Tobago House of Assembly have been collaborating on several developmental projects in Tobago.

We will continue to work with the Tobago House of Assembly on the construction of the new Terminal at the ANR Robinson International Airport.

We are also collaborating with the Tobago House of Assembly on a number of other initiatives: the Water and Sewerage Authority and the Tobago House of Assembly are progressing ongoing critical works with respect to the Southwest Waste Water Treatment Plant, the commissioning of which will also mitigate problems of coastal pollution; the construction a Marina in Southwest Tobago; a contract for which will be shortly awarded. In addition, to improve the security architecture in Tobago, work continues on the

construction of the much-anticipated Old Grange and Roxborough police stations. They both are expected to be completed in 2019.

Madam Speaker, I am also pleased to announce that the legislation to grant Self-Government to the Assembly has been through a Joint Select Committee process and is expected to be brought to Parliament soon for debate. This Bill promises greater financial flexibility to the Tobago House of Assembly in the management of its fiscal affairs and gives it greater predictability in developmental planning for Tobago.

We also intend in consultation with the THA to make it simpler and faster for foreign investors to acquire property in Tobago, through suitable amendments to the governing legislation and/or the regulations and guidelines.



ESTIMATES OF REVENUE AND EXPENDITURE: 2018/2019

Madam Speaker, we have adopted an approach to economic management anchored on a framework of sequenced and gradual adjustment, yet entailing prudent macro-economic policies and a stable exchange rate.

Madam Speaker, the main transformations which we are continuing in this budget are to rationalize expenditure by bringing it to a sustainable level, including capital spending and in the process develop a system of transparent and responsible expenditure.

For fiscal 2019, therefore:

- Total Revenue has been budgeted at **\$47.724 billion**, up from **\$42.618 billion** or **\$5.106 billion** from the estimated outturn in 2018; **in this context, it must be noted that core revenue from taxation, both in the oil and non-oil sectors in 2018 was \$5.0 billion more than in 2017! This \$5 billion increase in revenue was no easy task!**
- Total Expenditure for fiscal 2019 has continued to be contained and is budgeted at **\$51.776 billion** – a small increase of **\$2.897 billion** over the fiscal 2018 outturn of **\$48.879 billion**; but significantly lower than the peak expenditure of **\$62.839 billion** achieved in 2014. This is a substantial reduction in expenditure from the 2014 peak level of **\$62.839 billion - \$11.063 billion** or **21.4 percent**; and
- Madam Speaker, the fiscal deficit for 2019 is expected to narrow to **\$4.052 billion** or **2.5 percent** of Gross Domestic Product, as compared to the fiscal deficit of **\$6.262 billion** or **3.9 percent** of GDP in fiscal 2018.

The budgeted revenue for 2019 is predicated on an oil price of **US\$65.00** and a gas price of **US\$2.75** per MMBtu. Our assumed oil price is below the International Monetary Fund oil price forecast of **US\$70.00** per barrel and also lower than the current

oil price forecasts made by the World Bank, United States Energy Information Administration (USEIA) and International Energy Agency (IEA). Madam Speaker, we are being very careful.

Madam Speaker based on these assumptions we are projecting:

Total revenue	\$47.724 billion
Oil revenue	\$ 9.518 billion
Non-oil revenue	\$35.197 billion
Capital revenue	\$ 3.009 billion

Total expenditure net of Capital

Repayments and sinking fund contribution	\$51.776 billion
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As we are continue to build an inclusive society with major allocations of expenditure for 2019 as follows:

• Education and Training	\$7.392 billion
• National Security	\$6.120 billion
• Health	\$5.695 billion
• Works and Transport	\$3.546 billion
• Public Utilities	\$3.182 billion
• Rural Development and	
• Local Government	\$1.760 billion
• Housing	\$1.033 billio
• Agriculture	\$0.780 billion

Madam Speaker, we are continuing to review all available financing options for financing the fiscal deficit, preferring in the process to adopt such non-debt creating financing as might be available. We will seek to raise domestic financing on the capital market in a net amount equivalent to **\$3.826 billion** and external financing in a net amount of **\$0.226 billion**.

FISCAL MEASURES

Madam Speaker, I shall now present the budget proposals for Fiscal Year 2019.

• **Fuel Subsidy**

Madam Speaker, in the context of the new market-based arrangement for the import of refined petroleum products at PETROTRIN, we are taking steps to liberalize the domestic fuel market with the aim of improving the efficiency of energy use in the country through an improved allocation of resources in the domestic fuel market. The deregulated market will bring to an end **the** system of fuel subsidies which were introduced in **1974** with the enactment of the *Petroleum Production Levy and Subsidy Act* when the price of gasoline, including the price of diesel fuel became subject to administrative control through relevant sections in the Petroleum Act Chap 62:01.

Madam Speaker, the stated objective in 1974 was clear: consumers, in particular low-income groups were to be protected from volatile and high fuel prices with consistent access to affordable fuel. The petroleum production levy and subsidy arrangements financed the subsidy through a **4.0 percent** cap on the income of oil companies.

However, as oil prices rose the Government complemented the financing of the oil companies by subsidizing the price of gasoline and diesel, among other things, ***and in just the last 16 years, this subsidy has been provided at a great fiscal cost of over \$29.0 billion over the period 2002-2018.***

Importantly, as ample evidence has underlined, not only did fuel subsidies benefit disproportionately the higher income group; but their usage was inefficient from a national economy-wide perspective.

At current oil prices (WTI oil was \$73.43 per barrel this morning), and with current fuel prices, the fuel subsidy in 2019 is estimated to cost the Treasury \$1.5

billion, Madam Speaker money which we simply do not have.

Painful as it is, we must reduce this cost, otherwise it will threaten our ability to provide medicine and healthcare in our hospitals, pensions, subsidized public transport, subsidized housing, social services, subsidized water and electricity rates and free education, among many other public goods and services.

Madam Speaker, it should also be noted that if oil prices remain above \$70 in the coming year, the fuel subsidy will exceed \$1.5 billion in 2019, if there is no adjustment to the retail prices of fuel at the pump.

It must also be emphasised that rising oil prices do not benefit us in the way that they should, because PETROTRIN, which produces almost **60.0 percent** of the country's oil, simply does not pay its taxes or royalties, and thus makes no positive contribution to the Treasury at this time.

In my 2018 Budget Statement, I advised the national community of the intention of the Government to completely eliminate the fuel subsidy in 2018 with the Ministry of Energy and Energy Industries being required to publish on a monthly basis the wholesale and retail product prices for all categories of fuel. I did indicate at that time that in the future fuel prices will fluctuate with the prices of oil and the prices of refined products at world market prices.

However, we have decided to slow down the complete deregulation of fuel prices, in order to ease the burden on taxpayers.

At this stage, therefore, **I propose to increase only the cost of super gasoline from \$3.97 per litre to \$4.97 per litre, while keeping the cost of diesel fuel at the current price of \$3.41 per litre.** In this way, the cost of public transportation and the cost of transport of consumer items, food, goods and materials will not



be unduly affected, since the vast majority of public transportation vehicles and goods vehicles use diesel fuel. This measure will take place **immediately**.

It should be noted that this phased move to the deregulation of fuel prices, by keeping the price of diesel unchanged, will cost the Treasury over \$700.0 million in 2019.

Motorists should note that at an oil price of US\$73 per barrel, the actual unsubsidised price of super gasoline should be \$5.47 per litre and the unsubsidised price of diesel should be \$4.96 per litre.

It will be difficult to find that extra **\$700.0 million** in 2019 to keep the price of diesel fuel at its present level of **\$3.41** per litre and to subsidise super gasoline by **50 cents** per litre, but the Government is of the view that any adjustment to market prices for fuel must be gradual. We will also continue Madam Speaker to subsidize the price of LPG (cooking gas) in order to assist the poor and vulnerable groups.

It is also noteworthy that when the importation of fuel begins within the next few months, the diesel fuel sold in Trinidad and Tobago at a heavily subsidized price will be of a much higher quality than the diesel produced by the PETROTRIN refinery, with a substantially lower sulphur content. Indeed, ultra-low sulphur diesel fuel enables the use of cleaner technology diesel engines and vehicles, resulting in significantly improved air quality, better engine performance and improved fuel consumption.

I also wish to repeat the recent assurance given by PETROTRIN that everything is in place to supply fuel after the refinery closes. There is absolutely no need for concern since PETROTRIN's storage capacity for fuel at Pointe-a-Pierre is more than adequate to satisfy our local needs.

Further, the refinery is being closed on a phased basis with the termination of fuel production on **October 15, 2018**, but with significant quantities of fuel in storage. In due course, PETROTRIN will import all of the required types and grades of fuel and supply the National Petroleum Marketing Company and United Independent Petroleum Marketing Company (Unipet) and by extension the petroleum dealers, in the same way that they are supplied now. The Government will fix the price at the pump and pay the prescribed subsidy, as determined. There is no mystery in any of this.

• **Public Service Pension**

Madam Speaker, we have been concerned with the delayed and extended delivery of pensions to our public servants who retire after years of meritorious and dedicated service. We are at an advanced stage of improving the administrative arrangements to enable a much more efficient delivery of pensionable services to our retirees. Our goal is for citizens to retire today and receive their pensions tomorrow. In the interim and until their final pensions and gratuities are determined, **I propose to pay the minimum public service pension of \$3,500** per month immediately upon the retirement of the public servant.

This coupled with the **\$3,000** NIS pension per month will provide significant and early financial relief for **1,500** public servants who took **compulsory retirement**, were entitled to pensions and had a minimum of **ten (10)** years' service. This group of public servants include the civil service, the teaching service, the protective services and the legislature. **This measure will take effect on January 1, 2019 and will cost \$63.0 million.** This amount will also address outstanding pension payments.

It is to be noted that this measure is not intended to be permanent and we intend to move aggressively in 2019 to improve the efficiency and completeness of the pension and leave records systems across the public service to ensure prompt payment of pensions to public servants upon retirement.

• **Reward and Allocation for Crime Stoppers**

Madam Speaker, the Ministry of National Security receives on average approximately **\$7.0 billion** per annum which supports crime prevention and detection. At present, Crime Stoppers offers up to **\$10,000** in rewards or higher depending on the nature of the crime. To further incentivize persons to offer information, we are proposing that rewards up to **\$100,000** be offered for information on the **25** most wanted criminals as identified by the Trinidad and Tobago Police Service which will lead to the successful conviction of those persons. The focal point of this strategic intervention will be crimes related to murder and kidnapping.

Madam Speaker, I therefore propose that the **budgetary allocation for Crime Stoppers be increased by an additional \$2.5 million** to support its operations in the identification and reporting of criminal activities. This measure will take effect on **January 1, 2019**.

- **24/7 Opening Hours for Remote Health Centres**

Madam Speaker, we acknowledge the significant health challenges which are faced daily by remote communities. The Government is proposing to have those health centres located in remote areas opened on a 24 hour/7 days basis in an effort to deal with community members who have to traverse long distances to a public health facility in an emergency situation.

Madam Speaker, as an initial step I **propose that three (3) health centres located in Grande Riviere, Blanchisseuse and Cedros would remain open on a 24 hour/7 days basis**. During the course of this fiscal year I will give due consideration to have other rural health centres operate on a similar basis. This measure will take effect on **January 1, 2019**.

- **Penalties under Children's Act**

Madam Speaker, one of our medium-term goals embodied in our Vision 2030 Statement is the establishment of a foundation in Trinidad and Tobago of strong families and safe and sustainable communities. Embedded in this philosophy is the protection of our nation's children, our greatest asset. However, during the period May 18, 2015 - April 30, 2018 **14,581** cases of child abuse were reported to the Children's Authority; of that amount **415** reports were made in Tobago. This significant number highlights the plight which is endured by the most vulnerable in our society – a condition with which this Government is deeply concerned: I **propose to increase by 100.0 percent all fines in connection with the prevention of cruelty to children as detailed in the Children's Act**. This measure will take effect on **January 1, 2019**.

- **Stamp duty threshold amendment**

The Government acknowledges the adverse effects which rising real estate prices have on the securing of homes especially for our nation's young families. In order to provide for adequate and affordable housing for our population, and to help young families in particular to own their first home, I **propose to amend the Stamp Duty threshold for residential property by increasing the threshold for residential properties from \$850,000 to \$1.5 million for first time home owners**. This measure will save first time owners up to **\$37,000** in stamp duty and will benefit up to **1,000** families per year. It will cost the Government **\$12.5 million** per year in revenue foregone and take effect on **January 1, 2019**.

- **Penalties under the Litter Act**

Madam Speaker, the Litter Act of 1973 was conceived to protect the environment from the harmful effects of citizens and corporations from the disposal of waste and effluent. Given the ongoing challenges with flooding, the Government will pursue a zero-tolerance approach to littering. I **propose a 100.0 percent increase in all penalties under the Litter Act**. These measures will require amendments to the Litter Act, Chap. 30:52 and will take effect on **January 1, 2019**.

- **Penalties for Bush/ Forest Fires**

Madam Speaker, our dry season is well-known for generating bush and forests fires which impact negatively on vegetation, soil, water, air and the eco system in general. They also compound the effects of flooding as the surface run-off is intensified by the stripping of hillside vegetation leading to a rapid accumulation of water in our waterways.

According to the Fire Authorities, in the past five (5) years, over **9,000** bush fires occurred with the major contributors being individuals. Together with increased enforcement and in an effort to mitigate the acts of these individuals, I **propose to increase the fine from \$1,500 to \$5,000 under the Agriculture and Fires Act for committing such an offence**. This measure will take effect on **January 1, 2019**.



• **Compliance with the Board of Inland Revenue**

Madam Speaker, in keeping with the modernization of business and business practices and in the circumstance where the existing fines and penalties are not sufficiently adequate to be considered a deterrent, I propose the following amendments which will take effect on **January 1, 2019**:

- (i) under Section 98(2) (b) Collection and Recovery of Tax to increase penalty/ fines from **\$3,000** to **\$10,000** for submission of incorrect information in TD1s regarding fraudulent documents to support claims;
- (ii) under Section 5A (2) (c) Income Tax Act Chap 75:01-Business Levy to provide equity in taxation, the threshold for a self-employed individual subject to Business Levy to be increased from **\$200,000** to **\$360,000**;
- (iii) under Section 119 Income Tax Act Chap 75:01 to increase the penalty for the offences in respect of Fraud from **\$50,000** to **\$250,000** as the current sanctions are inadequate; and
- (iv) under the Registration of Clubs Act Chap 21:01 the rate of interest for late payment of taxes is being increased from **15.0 percent** to **20.0 percent** per annum in order to harmonize late payment interest rates under legislation administered by the Board of Inland Revenue

• **Enhancing Revenue Collection**

Madam Speaker, in the recent past tax amnesties were granted in an effort to build compliance with the Board of Inland Revenue. Amnesties provide additional revenue in the short term, but in the longer term, they encourage taxpayers to avoid compliance. While we continue to focus on establishment of the Trinidad and Tobago Revenue Authority in our efforts to broaden the tax base and mitigate tax avoidance, we are building capacity at the Inland Revenue Department by expanding the staffing in the Audit and Taxpayer Departments by employing **150** additional staff members to support members of the public in filing their taxes.

These new officers will support the existing staff by visiting all areas in Trinidad and Tobago with a targeted focus on the self-employed including doctors, lawyers, accountants and other professionals as well as small and medium-sized organizations with a view to making good on the revenues due and receivable to the State. We are also building capability in the Customs and Excise Division to ensure that tax collection reaches optimal levels.

• **Increase in Value of Food Card**

Madam Speaker, as we move to redistribute money that would have been spent on the fuel subsidy. I **propose to increase the value of the Food Card to support the most vulnerable in our society**:

- for households with 1-3 persons: from **\$410** per month to **\$510** per month;
- for households with 4-5 persons: from **\$550** per month to **\$650** per month; and
- for households with 6 and more persons: from **\$700** per month to **\$800** per month.

Madam Speaker, the increase in the value of the food card will cost an additional **\$29.2 million** annually and will impact **24,330** deserving households. This measure will take effect on **January 1, 2019**.

• **Disability grant**

Madam Speaker, again to redistribute income and support those least able to support themselves, we propose to remove the age eligibility for the disability grant under the Public Assistance Act Chap 32:03 to allow disabled children under the age of **18** to access the grant. Currently, **1,024** disabled and special needs children receive grants of **\$800** under the Special Child Grant and **\$1,150** under the Public Assistance Grant. I propose to cease payments under these **two (2)** outdated grants and to bring these recipients under the Disability Grant with a increased monthly grant of **\$1,500**. This measure aimed at helping disabled children. Will cost an additional **\$23.1 million** annually and will take effect on **January 1, 2019**.

Madam Speaker, again to help our disabled community. I propose also to increase the Disability Grant for recipients 18 years and older from **\$1,800 to \$2,000**. This measure will cost an additional **\$56.0 million** annually and will impact **23,245** recipients. This measure will take effect on **January 1, 2019**.

- **Public Assistance Grant**

Madam Speaker, again targeting the poor and vulnerable, I propose to increase the Public Assistance Grant by **\$150** as follows:

- for 1 person from **\$1150 to \$1300**
- for 2 persons from **\$1400 to \$1550**
- for 3 persons from **\$1600 to \$1750**
- for 4 or more persons from **\$1750 to \$1900**

This measure will cost an additional **\$41.4 million** per annum and will impact **22,861** persons. This measure will take effect on **January 1, 2019**.

- **Cap on Senior Citizens' Pensions**

Madam Speaker, we are continuing to improve the well-being of our elderly by increasing the cap on joint incomes received by retirees in respect of national insurance and old age pensions. The new cap will now be **\$6,000** thus allowing a person in receipt of both a NIS pension and a Senior Citizens' Pension to receive **\$3,000** a month from the NIS and up to a further **\$3,000** per month in the Senior Citizens' Pension. Madam Speaker, this measure will not only benefit **27,263** elderly individuals, from the existing senior citizens grant base of **95,300** individuals but would add over **2,000** to the senior citizens net, bringing it to over **97,000** elderly individuals in receipt of a pension, **\$10,000** more than when we came into office. The cost of this adjustment is **\$194.0 million**, and the measure will take effect on **January 1, 2019**.

- **Tax Allowance for Tertiary Education**

Madam Speaker, in order to build a prosperous and successful future, we need a population based on an educated and productive workforce. Therefore, the Government will increase the allowance for tertiary education expenses from **\$60,000 to \$72,000** per year, to take into account the prohibitive costs of overseas education.

This measure will benefit approximately **4,000** persons and will involve an additional cost of **\$15.0 million** and will take effect on **January 1, 2019**

Madam Speaker, these fiscal measures are designed to improve the welfare and livelihood of our working and vulnerable families. The cost has been estimated at **\$423.0 million** and these measures will help **156,350** members of our national community, including our senior citizens, our retirees, our working families and major vulnerable groups.

- **Manufacturing sector: foreign exchange earnings tax credit**

As we are seeking to expand the non-energy sector in our objective to diversify the economy. We have recently established a number of facilities to promote non-oil exports, including the EXIM Bank facility, the Business Development Incentive Programme and the Agriculture Financial Support Programme.

I propose to strengthen the framework for boosting non-energy exports and for generating foreign exchange by introducing an incremental foreign exchange earnings tax credit for the manufacturing sector, in particular for: agriculture and agro-processing; food and beverage; non-energy and non-petrochemical products; and any other businesses approved by the Minister with the responsibility for Trade and Industry. The appropriate legislation to give effect to this measure will be introduced in Parliament during this fiscal year.



CONCLUSION

Madam Speaker, the demanding and challenging economic and financial circumstances which we inherited in September 2015 required a conscientious and comprehensive response by the national community. Restoring confidence and rebuilding trust in public economic policy were essential for implementing the dynamic macroeconomic framework we put in place to reverse the economic decline and to repair our public finances. We were in crisis when we took over Madam Speaker, and our budget theme of that year said it all: *Restoring Confidence and Rebuilding Trust: Let Us Do This Together*.

Madam Speaker, we had to mould and shape the future of our national economy. We wish now to salute our citizens for their patience and for their patriotism in their support for the series of economic transformations which have now placed our economy on a trajectory of solid growth and development.

These transformations are ensuring a return to the prosperity levels for which we have been accustomed. Indeed, while our budget themes in the past represented our national priorities in terms of the broad strategic areas of focus, our current theme: *Turnaround* sums up our thrust to make the journey into the future sustainable, stable and equitable.

Madam Speaker, while the country will remain for some time highly dependent on the oil and natural gas sector, we are building the non-energy economy with the production of goods and services for the domestic and foreign markets. We are ensuring that these goods and services are sufficiently competitive for accessing export markets with the associated generation of foreign exchange. We are securing investors for our new industrial estates in our drive to secure foreign direct investment for diversifying our economic base, for enhancing foreign exchange earnings and for creating increasing levels of employment opportunities. We are focusing on high value and light manufacturing and emerging industries.

Madam Speaker, we are facilitating inflows of foreign direct investment for our development process by establishing the infrastructure on which industrial and commercial businesses could strive:

- our network of roads and highways
- our new airport terminal in Tobago;
- our domestic and external telecommunications;
- our water and electricity supply;
- our modern and relevant education system;
- higher standards of healthcare;
- access to affordable and adequate housing; and
- a sound financial system, well capitalized, highly-profitable and very liquid.

Madam Speaker, an essential condition for creating the potential for higher output growth and an improved standard of living has been anchored on our stabilizing economy with an *appropriately-sequenced fiscal policy* which is aimed at achieving approximate fiscal balance over the medium-term.

We have achieved this objective by improving the buoyancy of tax revenue through stronger collection and tax administration efforts and tight control over public expenditure which is framed over the medium-term.

Madam Speaker, our main task now is to satisfy the rising aspirations of the needs of our society through this self-imposed recovery, growth and transformation programme.

Preserving the tolerance of our society and the stability of the economy which have always been in the best interest of this multi-cultural society will represent the

2019 Budget Statement 2019

fundamental requirement for meeting this challenge and for securing the interests of all our citizens.

In our first 3 years, Madam Speaker, we have achieved the herculean feat of stabilising our vulnerable economy, in the face of a \$20.0 billion drop in annual revenue.

We have turned the economy around, from contraction and stagnation, to real economic growth and the prospects for the future are bright.

In so doing, we did not continue the reckless, unsustainable and profligate spending of the past, and thus, we avoided the IMF trap, that so many other Caribbean countries have succumbed to.

We also did not rashly devalue the dollar, and we thus preserved value and minimised increases in the cost of living for all our citizens.

Indeed, in the words of the well-known song, written by Paul Anka, and sung by Frank Sinatra: ***"We did it our way"***.

Madam Speaker, I beg to move.





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